

## **Firm Brochure**

(Part 2A of Form ADV)

### **HG CAPITAL ADVISORS, LLC**

#### **Mailing Address:**

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This brochure provides our clients and prospective clients information about the qualifications and business practices of Hg Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at: 281.589.2632, or by email at [dennis.walter@hgadvisors.com](mailto:dennis.walter@hgadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Hg Capital Advisors, LLC is registered as an Investment Advisor with the State of Texas. Registration of an Investment Advisor does not imply any level of skill or training.

Additional information about Hg Capital Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

January 31, 2018

## **Material Changes**

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### **Annual Update**

We will update the Material Changes section of this brochure annually and when material changes occur since the previous release of the Hg Capital brochure.

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### **Material Changes since the Last Update**

1. Change in office location. Our new mailing address is 819 Worthshire Street, Houston, Texas 77008.
  2. Under affiliation, Mr. Lundgren discloses his relationship with Numetrix and the potential for conflicts of interest due to Numetrix providing research to Hg Capital Advisors.
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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our brochure, please contact us by telephone at: 281.589.2632 or by email at: [dennis.walter@hgadvisors.com](mailto:dennis.walter@hgadvisors.com).

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## Fee Schedule

Fees are based on management type and assets under management (AUM) as follows:

### Taxable Account Composite Fee Structure

AUM*	Fee
\$0 to \$250,000	1.63%
\$250,001 to \$500,000	\$4,075 plus 1.23% of AUM over \$250,000
\$500,001 to \$1 million	\$7,075 plus 1.13% of AUM over \$500,000
Over \$1 million	\$12,800 plus 1.03% of AUM over \$1million

### Tax Deferred Account Composite Fee Structure

AUM*	Fee
\$0 to \$250,000	1.72%
\$250,001 to \$500,000	\$4,300 plus 1.38% of AUM over \$250,000
\$500,001 to \$1 million	\$7,750 plus 1.22% of AUM over \$500,000
\$1 million to \$3 million	\$13,850 plus 1.06% of AUM over \$1million
\$3 million to \$4 million	\$35,050 plus 1.02% of AUM over \$3 million
Over \$4 million	\$45,250 plus .98% of AUM over \$4 million

### Active Fee Structure

AUM*	Fee
\$0 to \$500,000	2.25%
\$500,001 to \$1 million	\$11,500 plus 1.75% of AUM over \$500,000
\$1million to \$3 million	\$20,000 plus 1.25% of AUM over \$1million

\$3 million to \$4 million	\$45,000 plus 1.00% of AUM over \$3,million
Over \$4 million	\$55,000 plus 0.75% of AUM over \$4million

### Tactical Fee Structure

AUM*	Fee
\$0 to \$250,000	1.75%
\$250,001 to \$500,000	\$4,375 plus 1.35% of AUM over \$250,000
\$500,001 to \$1 million	\$7,750 plus 1.25% of AUM over \$500,000
Over \$1 million	\$14,000 plus 1.15% of AUM over \$1 million

### Allocations Fee Structure

AUM*	Fee
\$0 to \$250,000	1.50%
\$250,001 to \$500,000	\$3,750 plus 1.10% of AUM over \$250,000
\$500,001 to \$1 million	\$6,500 plus 1.00% of AUM over \$500,000
Over \$1 million	\$11,500 plus 0.90% of AUM over \$1 million

### Conservative Fee Structure

AUM*	Fee
\$0 to \$2.5 million	1.00%

Over \$2.5 million	\$25,000 plus 0.9% of AUM over \$2.5 million
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### Non Managed Fee Structure

AUM*	Fee
Maximum Fee	0.29%
Over \$250,000	0.24%
Over \$500,000	0.21%
Over \$1 million	0.08%
Over \$2 million	0.06%
Over \$5 million	0.04%

\*This annual fee shall be prorated and paid quarterly, in arrears, based upon either the market value of the **Assets** on the last business day of the previous quarter or, if available, the average daily balance during the quarter.



# Advisory Business

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## Firm Description

HG CAPITAL ADVISORS, LLC, (“Hg Capital”) was founded in 2001.

Hg Capital provides its clients (institutions, high net worth individuals, other individuals, small businesses, other investment advisors and investment companies) with several different types of investment advisory services. For individuals, other investment managers and investment companies, this is often in the form of discretionary investment advisory services, meaning that you, the client, give us authority to trade securities on your behalf, without first having to get your approval on each individual transaction. Hg Capital does not generally provide financial planning services, but if you are a high net worth individual and request that we do so, we may also agree to provide you with more general financial planning services. In that case, such financial planning services will be governed by an agreement between Hg Capital and you. To the extent you specifically request, Hg Capital may provide you with limited consultation services on ancillary and non-investment related matters that are generally related to the investment management process. If we provide you any such consultation services, they shall be on an unsolicited basis.

### INVESTMENT ADVISORY SERVICES

You and we can determine that Hg Capital will provide you discretionary investment advisory services on a fee-only basis. In that case, Hg Capital’s annual investment advisory fee shall usually be based upon a percentage of the market value of your assets placed under our management (between 0.75% and 2.50%: for a current fee schedule, please see Exhibit A at the beginning of this brochure) and shall be as set forth in the Investment Advisory Agreement between Hg Capital and you. Some of our clients provide investment management services to third parties. If this applies to you, then Hg Capital will provide you signals regarding the purchase and sale of securities using models that we own or have the right to use, without Hg Capital necessarily having discretion as to the actual purchase and sale of securities on behalf of the client’s third-party customers. If applicable to you, we may provide the signal either for a flat fee on a subscription basis, or as a fee based upon the value of assets managed by you. Hg Capital may also be engaged by qualifying clients to provide investment advisory services for a performance-based fee (see disclosure, below).

If we provide you investment advice for a discretionary account, we will prorate our annual investment advisory fee, and you will pay the fee quarterly, in arrears, based upon either the market value of assets on the last business day of the quarter or, if available, the average daily market value of the assets we managed during the quarter. We can elect to charge you a lesser investment management fee based upon certain criteria (i.e. your anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, our negotiations, etc.).

If you ask us to recommend a broker-dealer/custodian to handle securities trades or to hold cash or securities in custody for you (unless you direct Hg Capital to use a specific broker-dealer/custodian), we generally recommend that you keep your investment

management account at Trust Company of America (“TCA”) for those accounts we have the right to make discretionary trades. We have no ownership interest in TCA, nor do they own or control Hg Capital. Prior to engaging Hg Capital to provide investment management services, you will be required to enter into a formal Investment Advisory Agreement with us that has the terms and conditions under which Hg Capital shall manage your assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian, so that they will accept our instructions as to the management of your assets. We do not provide custodial services for our clients.

Currently, if you have given Hg Capital discretionary authority over your investment assets, we primarily allocate those assets among various mutual funds and/or exchange traded funds and among one or more of our asset allocation programs based upon your investment objectives. Our proprietary programs have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides that if we meet certain safe harbor requirements, our investment advisory programs will not be equivalent to running an investment company, and such accounts will not be subject to the same regulations as apply to investment companies. In accordance with Rule 3a-4, we do the following things if we manage your client assets on a discretionary basis:

1. Initial Interview – at the opening of the account, we get from you information sufficient to determine your financial situation and investment objectives;
2. Individual Treatment – your account is managed on the basis of your financial situation and investment objectives;
3. Quarterly Notice – at least quarterly, either in your quarterly report included with the custodial statement or in a separate letter from us, we remind you to tell us if your financial situation or investment objectives have changed, or if you want to impose or modify any reasonable restrictions on how we manage your account;
4. Annual Contact – once a year, we will contact you by mail, e-mail or telephone to determine if your financial situation or investment objectives have changed, or if you want to impose or modify any reasonable restrictions on how we manage your account;
5. Consultation Available – our personnel will be reasonably available to consult with you on the status of your account;
6. Quarterly Statement – we will send you (or have the custodian send you on our behalf) a quarterly report for your account for the preceding period;
7. Ability to Impose Restrictions – you can impose reasonable restrictions on how we manage your account, including you can instruct us to not purchase certain mutual funds;
8. No Pooling – we instruct the custodian to make sure that your interest in a security does not represent an undivided interest in all the securities held by the custodian, but instead is a direct and beneficial interest in the securities which are in your account;
9. Separate Account - a separate account is maintained for you with the custodian; and
10. Ownership – you retain certain rights of ownership of the account despite Hg Capital’s discretion to manage the allocation of the investment assets (e.g. you always

have the right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

You can specify a particular broker-dealer or custodian to handle securities transactions or custodial activities for investment assets. Unless you direct otherwise or your circumstances require something different, we generally recommend TCA serve as the broker-dealer/custodian for your investment management assets. However, changing circumstances or your financial and investment situation, may cause us to recommend another broker-dealer/custodian. Broker-dealers such as TCA charge brokerage commissions and/or transaction fees for certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities purchases and sales). In addition to our investment management fees, and the commissions and transaction fees charged by the broker-dealer/custodian, you will also incur for all mutual fund and exchange traded fund purchases charges imposed at the fund level (e.g. management fees and other fund expenses).

Both our Investment Advisory Agreement and the broker-dealer/custodian's custodial/clearing agreement usually authorize the custodian to debit your securities account for the amount of our investment advisory fees and to directly remit that fee to Hg Capital. In some circumstances, you and we may agree that instead of deducting that fee from your custodial account, Hg Capital will bill you. If we bill you directly, your payment will be due when you receive our invoice. Either you or we may cancel the Investment Advisory Agreement by written notice, but until then, it will remain effective. We will collect any unpaid advisory fees (based upon the number of days that services were provided during the billing quarter) from your account.

Factors that we consider in recommending TCA (or any other broker-dealer/custodian) include historical relationship with Hg Capital, financial strength, reputation, execution capabilities, pricing, research, and service. Although any of the commissions and/or transaction fees you pay shall comply with our duty to obtain best execution, you may end up paying a commission to TCA or other broker-dealer we recommend that is higher than what another qualified broker-dealer might charge. This will happen when we determine, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. When we seek best execution, our decision is not based on the lowest possible cost, but whether the transaction represents the best qualitative execution, considering the full range of a broker-dealer and custodial services, including the value of research provided, execution capability, commission rates, and responsiveness. So while we seek competitive rates, we may not necessarily obtain the lowest possible commission rates for your account transactions. Furthermore, our responsibility for best execution does not generally apply if the securities we purchase for you are no-load mutual funds trading at net asset value determined as of the daily market close. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are in addition to our investment management fees.

## MISCELLANEOUS

Other Services. As indicated above, we do not promote ourselves as providing general financial planning services. If you specifically request and we agree, we may provide

limited consultation services to you on investment and non-investment related matters that are related to the investment management process. If we provide any such consultation services on an unsolicited basis, we may charge you an hourly rate of up to \$250 for such consulting services, as we agree prior to providing the services. This rate may be revised from time to time as we update this brochure.

As stated above, we may also provide our investment research and signals to other investment professionals on a non-discretionary fee basis, as well as investment-related information on a newsletter subscription basis.

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and you should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by us) will be profitable or equal any specific performance level(s).

Performance Based Fees. We may provide investment advisory services on a performance fee basis in accordance with Rule 205-3 of the Investment Advisers Act of 1940. Rule 205-3 permits us to enter into an agreement with certain sophisticated clients who have the capacity to bear the potential additional risks of such a fee arrangement. We can rely on Rule 205-3 only if the performance fee agreement is with "qualified clients". Qualified clients are defined in Rule 205-3 as natural persons and companies that have either at least \$1,000,000.00 under management with Hg Capital immediately after entering into a performance fee agreement or that have a net worth at the time of the agreement in excess of \$2 Million (a natural person's net worth may include assets held jointly with a spouse and excludes the value of a person's primary residence). Regulations issued by the SEC may change these limits over time. If we will provide you advisory services on a performance fee basis, we will attach an addendum to the Investment Advisory Agreement with the applicable terms and conditions. In that addendum, you will need to represent and warrant that you: (1) are an "qualified client"; (2) understand that we are relying upon your representation for compliance with Rule 205-3; and (3) understand that the performance fee may be an incentive for Hg Capital to make investments on your behalf that could be riskier or more speculative than would be the case without a performance fee.

Client Obligations. In performing our services, we are not required to verify any information you or your other professionals give us, and we can rely on that information. It remains your responsibility to promptly notify us if there is ever any change in your financial situation or investment objectives. This could affect our recommendations or services.

Assignment. Neither we nor you may assign the Investment Advisory Agreement without the prior consent of the other. Transactions that do not result in a change of actual control or management of Hg Capital shall not be considered an assignment.

Disclosure Statement. This brochure is a copy of our written disclosure statement to you, and is also a replacement for Form ADV, Part 2. A copy of our brochure will be given to you prior to or contemporaneously with the execution of the Investment Advisory Agreement. If you have not received a copy of our brochure at least 48 hours prior to executing the Investment Advisory Agreement, then you will have five business days

subsequent to executing the agreement to terminate the Investment Advisory Agreement without penalty.

We are compensated from a non-client in connection with giving advice to you. Although it is not a material consideration when we determine whether to recommend that you use the services of a particular broker-dealer/custodian, Hg Capital may receive from TCA (or a mutual fund company), without cost (and/or at a discount) support services and/or products, some of which help us to better monitor and service client accounts maintained at the broker-dealer/custodian. These support services may include investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance or practice management-related publications, discounted or free consulting services, discounted or free attendance at conferences, meetings, and other educational or social events, marketing support, computer hardware or software or other products we use in our operations.

We use reasonable efforts to make sure that you do not pay more for investment transactions executed by, or assets maintained at, TCA as result of this arrangement. We have made no commitment to TCA or any other entity to invest any specific amount or percentage of your assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Hg Capital's Chief Compliance Officer, Dennis Walter, remains available to address any questions that you may have regarding the above arrangement and any perceived conflict of interest created by our arrangements with TCA or any other broker-dealer custodian.

Hg Capital directly or indirectly compensates other advisors for client referrals. If you were introduced to us by a solicitor, we may pay that solicitor a referral fee. We will pay any such referral fee strictly in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any state securities law requirements. We pay any such referral fee solely from our investment management fee, and we shall not charge you any additional fees because of the referral. If you were introduced to us by a solicitor, at that time the solicitor was supposed to have told you of the solicitor relationship with us, and the solicitor should have provided you with a copy of our written disclosure statement (this brochure), as well as a copy of the written disclosure statement from the solicitor disclosing the terms of the solicitation arrangement between us and the solicitor, including the compensation we are to pay the solicitor.

Investment advice is an integral part of financial planning. Although we do not promote ourselves as providing financial planning services, we have advised a limited number of clients regarding cash flow, college planning and retirement planning. We may continue to do so in the future, but will limit such advice to an unsolicited basis, and may charge separate hourly fees, if we and you agree in advance.

When we provide investment advice, you may make the final decision on investment selection. Even for discretionary accounts where we direct the purchase and sale of securities on your behalf, you may cease the relationship at any time, and you may impose reasonable restrictions on our discretion. We do not act as a custodian of your assets. You always maintain ownership of your securities account. When we place trades for you, we do so under a limited power of attorney as set forth in our Investment Advisory Agreement.

If we provide you investment advisory services, our Principals or associated persons conduct account reviews on an ongoing basis. It remains your responsibility to advise us of any changes in your investment objectives and/or financial situation. You (in person, by electronic communication such as e-mail, or by telephone) are encouraged to review investment objectives and account performance with us on an annual basis. The broker-dealer/custodian and/or program sponsor for your accounts should directly provide you with transaction confirmation notices and regular account statements.

You may engage directly other professionals (e.g., lawyers, accountants, insurance agents, etc.) on an as-needed basis, and they will disclose to you any conflicts of interest they may have with you in the unlikely event they should occur. We do not monitor your relationships with these other professionals.

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### **Principal Owners**

James E. Lundgren is a member of Hg Capital Advisors, LLC, and holds a 57% membership interest. Dennis Shaw is a member holding a 21% membership interest. Dennis Walter is a member holding a 15% membership interest. Monica Haven is a member holding a 7% membership interest, but is not active in providing investment advisory services to any client on behalf of Hg Capital Advisors, LLC.

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### **Types of Advisory Services**

We provide portfolio management and trading advice for individuals, small businesses, businesses and institutional clients (other than investment companies), and other advisers. We also provide portfolio management for investment companies, market timing signals and quantitative analysis services. Additionally, we do not solicit but, upon request, may provide financial planning services.

As of December 2017, we manage a total of \$45,708,000 in assets for 1360 clients. Of this total, \$45,689,000 are managed on a discretionary basis, and \$19,000 on a non-discretionary basis.

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### **Tailored Relationships**

We document your goals and objectives in our client relationship management system. We utilize an investment policy statement for you that reflects your stated goals and objective. You may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without your consent.

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### **Types of Agreements**

We require written agreements with you. The following agreements define the typical relationships we and you have.

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### **Financial Planning Agreement**

If you and we agree that we will help you develop a financial plan, that will be a service separate from our investment management services. A financial plan is designed to help

you with all or most aspects of financial planning, but once we help you develop your financial plan, unless we agree otherwise, we will not have responsibility to provide you with ongoing investment management.

Your financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including asset allocation analysis and providing you with repositioning recommendations. It may also include information we review and analyze contributed by your other professionals, including strategic tax planning; a review of retirement accounts and plans and recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

We will provide detailed investment advice and specific recommendations are provided as part of your financial plan. Implementation of our recommendations is at your discretion.

We will base our fee for your financial plan upon the facts known by us, or that you reveal to us, at the start of the engagement. The minimum fee is \$1,000. Since financial planning is a discovery process, situations occur where you may be unaware of certain financial exposures or predicaments.

In the event that your situation changes substantially from what you tell us at the initial meeting, we will provide you a revised fee range for mutual agreement. You must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

After delivery of a financial plan, we may need to schedule future face-to-face meetings as necessary for up to one month after delivery of the plan. Follow- on implementation work is billed separately at the rate of \$250 per hour.

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### **Advisory Service Agreement**

Many clients choose to have us manage their assets in order to obtain ongoing in-depth advice and investment planning. For individuals, we encourage you to review with us all aspects of your financial affairs. We work with you to set realistic and measurable goals and to establish objectives to reach those goals. As goals and objectives change over time, we will make additional suggestions and work with you to implement them on an ongoing basis.

The scope of work and fee will be set out in our Investment Advisory Agreement to provide you in writing prior to the start of the relationship our plan and investment parameters. An Investment Advisory Agreement may include (depending upon the extent you and we agree that we may provide financial planning, insurance and other life-planning advice): cash flow management; investment management (including performance reporting); education planning; and retirement planning. We will reasonably cooperate with your other advisors to coordinate your investment planning with you, but Hg Capital usually does not provide these services to our clients.

The annual Investment Advisory Agreement fee is based on a percentage of the investable assets according to a schedule we agree with each client. Typically, these

fees may be on a sliding scale based upon the amount of assets under management, and an example of such schedule is as follows:

2.50% on the first \$500,000;

2.00% on the next \$500,000 (from 500,001 to 1,000,000); and 1.50% on the assets above \$1,000,000.

For a complete, current fee schedule, please see Exhibit A at the end of this brochure.

Our minimum annual fee is \$1,000 and is based upon a number of factors, including projected growth in assets under management. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Investment Advisory Agreement is an ongoing agreement and constant adjustments are required, how long we continue to provide those services to you is at your discretion. Either of us may terminate an Investment Advisory Agreement by written notice to the other person. At termination, fees you owe us will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value on the termination date (or the average daily asset value, if available) is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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### **Market Timing Signal Agreement**

We provide market timing signals generated by our proprietary market timing programs. We charge up to a fee of 50 basis points of the assets for which such signal(s) is used with a quarterly minimum of \$1000.00 for each signal.

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### **Retainer Agreement**

In rare circumstances, a Retainer Agreement is executed in lieu of an Investment Advisory Agreement when it is more appropriate to work on a fixed-fee basis without regards to the value of assets under management. A typical annual fee for a Retainer Agreement may be \$4,000 and will be set solely as you and we agree in writing.

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### **Hourly Planning Engagements**

We may agree to provide hourly planning services for you if you need advice on a limited scope of work. We charge \$250 per hour for limited scope engagements.

### **Asset Management**

In addition to our advisory fees, as previously stated, your assets for which we provide discretionary investment advisory services are usually invested in no-load or low-load mutual funds and exchange-traded funds, usually through TCA or other discount brokers or fund companies that you select. In addition to our advisory fees, companies that



manage or sponsor funds may charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Broker-dealers and custodians may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. We do not receive any compensation, in any form, from fund companies, except for funds fully disclosed in a plan adopted by the fund company in accordance with Rule 12b-1 of the SEC.

Investments in which we may invest on your behalf also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (mutual funds shares), U.S. government securities, and with your permission and in accordance with any restrictions you impose on your account, interests in partnerships investing in real estate and oil and gas interests.

As part of your overall asset allocation strategy, we may recommend that you consider allocating a portion of your investment assets among private investment funds. If you determine to invest in a private investment fund recommended by us, we may be compensated based upon the value of the assets placed in private investment funds in accordance with the fee schedule set forth, above, in the Advisory Business, Firm Description section. If you allocate a portion of your assets among private investment funds, you will pay our advisory fee in addition to the fees you pay to the private investment fund sponsor or manager as set forth in the fund offering documents.

Please Note: Private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each fund's offering documents, which we will provide to you for review and consideration. No discretionary trading on our part will involve investing in private investment funds, and we will do so only after first receiving your explicit permission. To invest in any type of private investment fund, you will be required to complete and provide to the fund's sponsor a Subscription Agreement, which will establish in writing that you are qualified for investment in the fund, and that you acknowledge and accept the various risk factors of such an investment.

On occasion, through our brokerage relationships, we may have limited access to IPO shares. It is our general intention (subject to the parameters set forth in our IPO policy) not to recommend and/or purchase IPO shares for you.

### **Termination of Agreement**

You may terminate any of the aforementioned agreements at any time by notifying us in writing and paying our fees applicable for the time spent on the investment advisory engagement prior to your notification of termination.

We can also terminate any of the aforementioned agreements at any time by notifying you in writing. If you made an advance payment of our fees that as of the termination date have not been earned, we will refund any unearned portion of the advance payment.

## **Fees and Compensation**

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## **Description**

We may base our fees on either a percentage of assets under management, fixed fees or performance-based fees, and in certain engagements, a combination of fees.

Except in the limited event of a performance fee arrangement (see Performance-Based Fees discussion below), we do not earn compensation based on a share of capital gains or capital appreciation of the funds or any portion of your funds. However, an increase in value of the assets under management may mean your fees based on a percentage of assets under management will increase, even though the rate of our fees does not change. In addition:

- (1) if there are any net unearned, pre-paid fees upon termination of a contract, we will refund these amounts; and
- (2) the terms of the Investment Advisory Agreement describing fees are consistent with information in our brochure as filed as Form ADV, Part 2.

The method we use in determining the advisory fees we charge you (i.e., hourly, fixed fee, percentage of assets under management, etc.) is set forth in our written agreement with you. To the extent that we charge an investment advisory fee based upon a percentage of the market value of the assets you place under our management, in calculating our fee and providing you supplemental reports (if we choose to do so in addition to the regular reports the broker-dealer/custodian provides directly to you), we rely upon the asset values the account broker-dealer/custodian reports to us.

If we agree to use a Retainer Agreement to govern a portion of the engagement between us and you, retainer fees may be priced based on the complexity of work, especially if asset management is not the most significant part of the relationship.

In the circumstance that we develop a financial plan for you, we will price this service according to the degree of complexity associated with your situation.

Fees are negotiable. For a complete, current fee schedule, please see Exhibit A at the beginning of this brochure.

**Please Note:** Hg Capital may recommend that clients purchase shares of various mutual funds that receive research and other investment guidance from an entity partially owned by Hg Capital's principal owner and managing member, James Lundgren. This affiliation is more fully detailed in below. Hg Capital's recommendation to invest in such mutual funds creates a conflict of interest, as the recommendation could be based on the compensation received by the affiliated entity, rather than a client's best interests. As such, in the event a client of Hg Capital invests in a mutual fund which provides compensation to the affiliated entity, that client's advisory fee due to Hg Capital will be offset against a portion of the compensation received by the affiliated entity from the mutual fund, calculated in proportion to Mr. Lundgren's ownership interest in the affiliated entity. In other words, if the mutual fund pays the affiliated entity \$600, the client who is invested in that mutual fund will have their Hg Capital fee offset by \$100, reflecting Mr. Lundgren's one-sixth (1/6) ownership interest in the affiliated entity.

## **Fee Billing**

We bill you quarterly for investment management fees, in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. We usually ask our custodians to deduct our fees from your designated account to facilitate billing in which case you may not receive a separate invoice from us. In our Investment Advisory Agreement, you must consent in advance to direct debiting of your investment account.

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## **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

We reserve the right, in our sole discretion, to waive our minimum fee or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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## **Expense Ratios**

We do not manage any mutual funds in which we may invest your assets. These mutual funds are managed by unaffiliated third-party sponsors. These sponsors generally charge their mutual funds a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees charged to the mutual fund are in addition to the fees you pay to us for investment management advice.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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## **Past Due Accounts and Termination of Agreement**

We can stop work on any account that is more than 15 days overdue. In addition, we can immediately stop any financial planning engagement if you have willfully concealed or have refused to provide us with pertinent information about your financial situation we consider necessary and appropriate, in our judgment, to provide you with proper financial advice. In that case, any unused portion of fees we collected in advance, we will refund to you within 45 days.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

Generally, for the vast majority of our investment advisory clients, we do not charge a fee based on a share of the capital gains or capital appreciation of managed securities. However, it is possible that with some clients that are sponsors or investment managers

of private investment funds or hedge funds, we may agree to manage a portion or all of the fund's portfolio (or provide proprietary trading signals) in exchange for a fee arrangement that may provide a portion of our compensation based upon the change in value of the securities held by the fund.

Accordingly, as stated in the Advisory Business, Firm Description Section, above, we may provide investment advisory services on a performance fee basis in accordance with Rule 205-3 of the Investment Advisers Act of 1940. Rule 205-3 permits us to enter into an agreement with certain sophisticated clients who have the capacity to bear the potential additional risks of such a fee arrangement. We can rely on Rule 205-3 only if the performance fee agreement is with "eligible" clients. Eligible clients are defined in the Rule as natural persons and companies that have either at least \$1,000,000.00 under management with Hg Capital immediately after entering into a performance fee agreement or a net worth at the time of the agreement in excess of \$2 Million (a natural person's net worth may include assets held jointly with a spouse and excludes the value of a person's primary residence). Regulations issued by the SEC may change these limits over time. If we will provide you advisory services on a performance fee basis, we will attach an Addendum to the Investment Advisory Agreement with the applicable terms and conditions. In the Addendum, you will need to tell us that you: (1) are an "eligible" client; (2) understand that we are relying upon such representation for compliance with Rule 205-3; and (3) understand that the performance fee may be an incentive for us to make investments on your behalf that are riskier or more speculative than would be the case without a performance fee.

## **Types of Clients**

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### **Description**

We provide investment advice to institutions, high net worth individuals, other individuals, small businesses, other advisors and investment companies.

The relationship between you and we vary in scope and length of service.

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### **Account Minimums**

Usually our minimum account size is \$25,000 of assets under management.

When an account falls below \$25,000 in value, we may choose to charge a minimum annual fee as you and we agree in our Investment Advisory Agreement. Alternatively, we can agree, depending upon your circumstances, for you and us to sign an Hourly Agreement with fees based on the time spent on your investments, rather than the amount of assets under management.

We always have the discretion to waive the account minimum. Accounts of less than \$25,000 may be set up if you and we anticipate that you will add additional funds to the accounts bringing the total to \$25,000 within a reasonable time. Other exceptions may apply to our employees and their relatives, or relatives of our existing clients.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

Security analysis methods may include charting, quantitative analysis, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include online data services, financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, statistical reports issued by various governmental agencies, as well as generally recognized trade groups and company press releases.

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### **Investment Strategies**

The primary investment strategy we use on your behalf for discretionary accounts is strategic asset allocation. This means that we create a blend of mutual funds tailored to specific risk/reward parameters. Additionally, we use actively managed programs (using index funds) for a portion of client accounts as appropriate. Portfolios are diversified to control the risk associated with traditional markets.

Your individual investment strategy is based upon the objectives you told us during consultations. You may change these objectives at any time. You should execute with us an investment policy statement that documents your objectives and your desired investment strategy. Please keep your investment policy statement up to date.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

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### **Risks of Loss That Are Borne By Clients**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. As a client, you face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions (including war, rumor of war, shortages, excess, consumer and business spending, and logistical bottlenecks). This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments (for instance, as a bond matures or pays interest) may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They usually are viewed by the market as carrying a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product, or if the securities in question are traded actively in a recognized exchange. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must pay interest on the debt and meet the other terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

It is the responsibility of Dennis Walter as the Chief Compliance Officer to ensure that each of our investment adviser representatives has enough information from you (on such form(s) as we draft) to enable us to provide services and/or manage your assets in accordance with your designated investment objective(s) and risk parameters.

## **Disciplinary Information**

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### **Legal and Disciplinary**

Hg Capital and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

Hg Capital is not registered as a securities broker-dealer, is neither a futures commission merchant, commodity pool operator nor commodity trading advisor.

### **Affiliations**

Hg Capital's principal owner and managing member, James Lundgren, is a one-sixth (1/6) owner and minority partner in Numetrix Capital, an investment research firm providing quantitative investment solutions to financial advisors. Mr. Lundgren or Hg Capital may recommend that clients or unaffiliated investment advisers utilize the services of Numetrix Capital. Such recommendation creates a **conflict of interest**, as the residual compensation received by Mr. Lundgren may provide an incentive to recommend Numetrix Capital's services, rather than basing such recommendation on a particular

client or unaffiliated advisory firm's need. As more fully detailed in Item 5 above, in the event a client of Hg Capital invests in a mutual fund which pays compensation to Numetrix Capital, such client's fee owed to Hg Capital will be offset against a portion of the compensation received by Numetrix Capital, in proportion to Mr. Lundgren's ownership interest in Numetrix Capital.

Other than the above and our recommendation to use certain unaffiliated broker-dealer/custodians such as TCA, Hg Capital has no arrangements that are material to its advisory clients with any related person. We may compensate other advisors for referring business to us, so please refer to the section of this brochure regarding solicitors.

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

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### **Code of Ethics Summary**

We established a Code of Ethics pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended. As an investment adviser, we have an undivided duty of loyalty to act solely in the best interests of our clients, an obligation which includes the responsibility to make full and fair disclosure to you of all material facts, especially where our interests may conflict with yours. In carrying on its daily affairs, we and each of our employees, shall act in a fair, lawful and ethical manner, in accordance with the rules and regulations imposed by the United States Securities and Exchange Commission.

Our employees have committed to our Code of Ethics. We will provide a copy of the Code of Ethics to you upon request.

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### **Participation or Interest in Client Transactions**

We may buy or sell for our own account securities that we also recommend to you. We have implemented an investment policy regarding personal securities transactions. This investment policy is part of our overall Code of Ethics which serves to establish a standard of business conduct for all of our employees or other associated persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available to you upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, we also maintain and enforce written policies reasonably designed to prevent the misuse of any of your material non-public information by us or any person associated with Hg Capital.

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### **Personal Trading**

The Chief Compliance Officer of Hg Capital is Dennis Walter. He reviews all employee trades each quarter. His trades are reviewed by James E. Lundgren, the owner of the largest portion of Hg Capital. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that you are not subject to potentially abusive "soft dollar" or brokerage practices. The personal trading review also guards against any employee being involved in insider trading or giving preference in execution to an employee's trade over that of a client's. Since most employee trades are

small mutual fund trades or exchange-traded fund trades, the trades are very unlikely to affect the securities markets.

Each of our employees provides Mr. Walter or his designee with a written report of the employee's current securities holdings within 10 days of employment. The information must not be more than 45 days old on the date the person becomes an employee. Additionally, each employee provides Mr. Walter or his designee with a written report of their current securities holdings at least once every 12 months on a date we select. This information must also be current no more than 45 days prior to the date the employee submits the report, but if we ever have only one employee, he or she need not submit any securities report described above.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Hg Capital does not have any affiliation with product sales firms. We recommend specific custodians based on your needs for such services. We recommend custodians based on proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates. As noted previously, we usually recommend TCA as a custodian, but you may elect a different qualified custodian.

### **Best Execution**

We review the execution of trades made at each custodian each quarter. The review is documented in our *Policies and Procedures Manual*. Trading fees charged by the custodians are also reviewed on a quarterly basis. We do not receive any portion of the trading fees.

If you consent, we will arrange for the execution of securities brokerage transactions for the account through broker-dealers that we reasonably believe will provide "best execution", otherwise we will try to work with the broker-dealer you specifically nominate. In seeking "best execution", our decision is not based on the lowest possible cost, but whether the transaction represents the best qualitative execution, considering the full range of a broker-dealer's services including execution capability, commission rates, and responsiveness. So while we will seek competitive commission rates, we may not necessarily obtain the lowest possible commission rates for account transactions.

We usually effect over-the-Counter (OTC) securities transactions for you on an agency basis, which involves the services of two separate broker-dealers:

(1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for your account. For exchange-traded securities, those procedures are not usually used. Dealers executing principal transactions typically receive a mark-up/down price differential, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, you will also incur the transaction fee imposed by the executing broker-dealer. We do not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.



We usually make trades for each client account independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "batch" such orders to obtain "best execution", to negotiate more favorable commission rates or to allocate equitably among our clients' differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

You may direct us to use a particular broker-dealer (subject to our right to decline and/or terminate the engagement) to execute some or all transactions for your account. In this circumstance, you will negotiate terms and arrangements for your account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" your transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case. In the event that you direct us to make securities trades for your accounts through a specific broker-dealer, you will acknowledge at that time that such direction may cause your accounts to incur higher commissions or transaction costs than your accounts would otherwise incur had you decided to effect account transactions through alternative clearing arrangements that may be available through us.

In the event that the transactions for your accounts are effected through a broker-dealer that refers investment management clients to us, there exists the potential for conflict of interest if your accounts incur higher commission or transaction costs than your accounts would otherwise have incurred had you determined to effect account transactions through alternative clearing arrangements that may have been available through us.

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### **Soft Dollars**

In return for trading securities through a particular broker-dealer, we may receive certain investment research products and services which assist us in our investment decision-making process for our clients, pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft dollar" arrangement). If we engage in any soft dollar arrangements, we will do so in accordance with the following discussion. Section 28(e) provides a safe harbor for persons who exercise investment discretion over accounts to pay for research ("research" usually means products and services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities) and brokerage services with commission dollars generated by account transactions.

The investment research products and services we receive may include, but are not limited to, analyses pertaining to specific securities, companies, or sectors; market, financial, and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Recent SEC interpretations have specifically excluded mass-marketed publications, intended for a broad, public

audience, from soft dollar eligibility. Mass-marketed publications will be paid for by us directly, and not from any credits for research we obtain from a custodian.

Although the commissions you pay comply with our duty to obtain best execution, you may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. Also, whereas the investment research products and/or services that we obtained will generally be used to service all of our clients, a brokerage commission paid by you may be viewed as creating a research credit that is not used in managing your account.

If we receive investment research products and services that have a mixed use of both a research and non-research (i.e., administrative) function, instead of engaging in a more specific sophisticated allocation analysis, we allocate proportionately (as we in our discretion determine) the cost of the product or service according to its use. The product or service that provides assistance to our investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by us with hard dollars. A common example of a mixed-use product is an order management program, which we may use to manage the administrative tasks of portfolio management, but also to analyze positions, trades and the like. Order management programs are eligible as soft dollar items to the extent that they assist us to execute securities trades. Such dual-use, eligible products and services will be credited against soft dollars by us from the point at which we communicate with the broker-dealer to execute an order through the point at which funds or securities are delivered or credited to your accounts.

To the extent applicable, we evaluate quarterly (or at such other intervals as we determine reasonable based upon our business operations and trading practices), the value of products and services received from the brokerage firms and determine whether they are consistent with Section 28(e). We maintain adequate records concerning allocations so as to allow us to make the required good faith determination.

You agree that we do not act unlawfully or breach a fiduciary duty by reason of causing you to pay more than the lowest available commission, if we determine in good faith that the amount of the commission is reasonable in relation to the value of both the custodian's brokerage and research services. If we act outside of the safe harbor of Section 28(e), we may breach our fiduciary duty to you as well as violate specific provisions of the federal securities laws. The focus of Hg Capital should be on whether the product or service provides lawful and appropriate assistance to its investment decision-making process.

While we reserve the right to use soft dollar arrangements as discussed above, when we determine, in good faith, that the benefits outweigh any added costs to you or other clients, generally, we do not maintain soft dollar arrangements.

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### **Order Aggregation**

We rarely, if ever, engage in order aggregations. As most of our trades for you will be in mutual funds or exchange-traded funds, trade aggregation does not garner any client benefit.

## **Review of Accounts**

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### **Periodic Reviews**

We generally reconcile all client trades on a daily basis. We also reconcile all holdings within your custodian accounts on a periodic basis. We timely research and resolve any exceptions identified by the reconciliation process.

If we provide you with investment advisory services, our Principals conduct account reviews on an ongoing basis. If we provide you with investment advisory services, it is your responsibility to advise us of any changes in your investment objectives and financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with us on an annual basis. The broker-dealer/custodian and/or program sponsor for your accounts provide you directly with transaction confirmation notices and regular account statements.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by you on an as-needed basis. They should reveal to you any conflicts of interest in the unlikely event they should occur. We do not assume responsibility for monitoring the actions of these other professionals.

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### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in your situation.

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### **Regular Reports**

You will receive periodic communications on at least an annual basis. If you are an Advisory Service Agreement client, Investment Management client, or Retainer Agreement client, we will send you (or cause the broker-dealer/custodian to send you) written quarterly updates. The written update may include a net worth statement, portfolio statement, tax return (if the client requests tax preparation services), and a summary of objectives and progress towards meeting those objectives.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

We have been fortunate to receive many client referrals over the years. The referrals come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. We pay referral fees when appropriate and legal. If we pay someone a referral fee for your business, we never pass those costs on to you.

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### **Referrals Out**

Other than other investment professionals that may manage an investment account on your behalf, we do not accept referral fees or any form of remuneration from other

professionals (such as lawyers, accountants or custodians) when a prospect or client is referred to them.

## **Custody**

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### **Account Statements**

Unaffiliated, qualified custodians, such as TCA, hold all assets, not us. This means the custodians provide account statements directly to you at your address of record at least quarterly of those assets they hold. We rely upon the qualified custodian to directly deliver your account statements to you.

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### **Performance Reports**

You are urged to compare the account statements you received directly from your custodians to the performance report statements we may provide you. Should you wish us to provide you with a separate performance report statement, please contact us with the account and date range and we will be happy to provide you with such a statement.

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## **Investment Discretion**

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### **Discretionary Authority for Trading**

As noted above, we accept discretionary authority to manage securities accounts on your behalf. We have the authority to determine, without obtaining your direct consent, the securities to be bought or sold, and the amount of the securities to be bought or sold, but within parameters you established or according to any reasonable restrictions you impose on our trades. We consult with you prior to each trade to obtain concurrence if you have not given us a blanket trading authorization.

You approve the custodian to be used and the commission rates paid to the custodian. We do not receive any portion of the transaction fees or commissions paid by you to the custodian on certain trades, but as explained above, we may receive a limited amount of soft dollar benefits consistent with this brochure and the applicable SEC rules and regulations.

Discretionary trading authority allows us to place trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. When we place trades for you that you have approved, we do so under a limited power of attorney, as set forth in our Investment Advisory Agreement.

## **Voting Client Securities**

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### **Proxy Votes**

You maintain exclusive responsibility for: (1) directing the manner in which proxies (the right to vote your securities on matters involving the issuer) which are solicited by issuers (or other security holders) of securities beneficially owned by you are to be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. We or you shall correspondingly instruct each custodian of your assets to forward to you copies of all proxies and shareholder communications relating to your investment.

## **Financial Information**

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### **Financial Condition**

As of the last update of this brochure, we do not have any financial impairment that will preclude us from meeting contractual commitments to you or our other clients.

We usually do not provide a balance sheet because we do not serve as a custodian for client funds or securities, and we do not require prepayment of fees of more than \$500 per client, and six months or more in advance.

## **Business Continuity Plan**

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### **General**

We have adopted a Business Continuity Plan (including preservation and recovery of records threatened as a result of natural disasters) to help us identify and minimize the potential adverse consequences of events that could impair our ability to service you.

### **Disasters and Other Unforeseen Events**

The Business Continuity Plan covers both natural disasters and man-made disasters such as fire, explosion evacuation, flood, loss of power, etc. We back up and store electronic files as deemed necessary and archive these offsite for the length of time required by law.

Our Business Continuity Plan also covers physical losses (emergency dislocation of office, loss of equipment, loss of communications); business operational losses (loss of informational resources, loss of substantial third party service provider, financial loss); loss due to cyber-terrorism (internet and email-borne viruses); and loss of internet and telephone capabilities.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of any disaster that dictates moving our physical office to an alternate location. Loss of Key Personnel

Ted Lundgren, Dennis Shaw and Dennis Walter are the “key” employees of Hg Capital. Hg Capital has established contingencies in an effort to prevent disruption to your services. Should any of the key employees become unable to fulfill his obligations to Hg Capital and its clients, any other key employee will serve as an alternate.

## **Information Security Program**

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### **Information Security**

We maintain physical, electronic, and procedural safeguards that comply with federal standards to protect your nonpublic personal information (“information”). Through this policy and its underlying procedures, we attempt to secure the confidentiality of your records and information and protect against anticipated threats or hazards to the security or integrity of your records and information.

It is our policy to restrict access to all current and former clients’ information (i.e., information and records pertaining to personal background, investment objectives, financial situation, tax information/returns, investment holdings, account numbers, account balances, etc.) to those employees and affiliated/nonaffiliated entities who need to know that information in order to provide products or services to the client (such as a custodian with whom you have an agreement). We may disclose your information if we are: (1) previously authorized to disclose the information to individuals and/or entities not affiliated with us, including, but not limited to your other professional advisors and/or service providers (i.e., attorney, accountant, insurance agent, broker-dealer, investment adviser, account custodian, etc.); (2) required to do so by judicial or regulatory process; or (3) otherwise permitted to do so in accordance with the parameters of applicable federal and/or state privacy regulations. The disclosure of information contained in any document you complete for processing and/or transmittal by us in order to facilitate the commencement/continuation/termination of a business relationship between you and a nonaffiliated third party service provider (i.e., broker-dealer, investment adviser, account custodian, insurance company, etc.), including information contained in any document completed and/or executed by you for us (i.e., advisory agreement, client information form, etc.), is your authorization allowing us to correspond with these nonaffiliated third party service providers, but only as reasonably necessary or useful to provide you our services and to conduct transactions.

We only permit authorized employees and affiliates who have signed a copy of our Privacy Policy to have access to your information. Employees violating our Privacy Policy will be subject to our disciplinary process. Additionally, whenever we hire other organizations to provide services to you, we require them to sign confidentiality agreements or our Privacy Policy.

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### **Privacy Notice**

Pursuant to applicable federal and/or state privacy regulations Hg Capital Advisors, LLC (referred to as “we”, “us” or “Hg Capital”) is a financial institution that has determined to keep confidential nonpublic personal information about each Hg Capital client.

Nonpublic personal information is defined to mean personally identifiable financial information that is provided by a consumer to a financial institution, results from any transaction with the consumer or any service performed for the consumer, or is otherwise obtained by the financial institution.

Personally identifiable financial information means any information: (1) a consumer provides to a financial institution to obtain a financial product or service; (2) about a consumer resulting from any transaction involving a financial product or service between a financial institution and a consumer, or (3) a financial institution otherwise obtains about a consumer in connection with providing a financial product or service to that consumer.

Attached is a copy of our Privacy Notice that is to be distributed by Hg Capital: (1) initially: (a) to each existing client; and (b) to each new client prior to or at the time of establishing a "customer relationship" with us; and (2) annually thereafter for as long as the client maintains its relationship with Hg Capital.

The purpose of this Privacy Notice, and our Privacy Policy, as well as the underlying procedures we adopted is to protect the confidentiality and security of our clients' nonpublic personal information. The categories of nonpublic personal information that Hg Capital may collect from you depends upon the scope of our engagement with you. They may include information about your personal finances, information about transactions between you and third parties, and information from consumer reporting agencies. We have instituted certain technical, administrative and physical safeguards through which we seek to protect your nonpublic personal information (even after you are no longer a client) from unauthorized use and access. First, we use technical procedures to limit the accessibility and exposure of client information contained in electronic form. Second, we use administrative procedures in order to control the number and type of employees, and other affiliated and nonaffiliated persons, to whom customer information is accessible. Third, we use physical safeguards to prevent access to client information contained in hard-copy form. As illustrated above, we realize the importance of information confidentiality and security, and emphasize practices which are aimed at achieving those goals.

Each of our employees will execute a document agreeing (1) to comply with Hg Capital's Privacy Policy as set forth in our attached Privacy Notice; (2) acknowledging that the employee's knowing or reckless violation of our Privacy Policy will result in discipline by Hg Capital, including potential termination; and (3) any question(s) of the employee regarding any aspect of our Privacy Policy, including any exceptions hereto, shall immediately be addressed with Dennis Walter, Chief Compliance Officer, prior to taking any action that could result in the violation of the Privacy Policy. A complete copy of Hg Capital's Privacy manual is available for your review upon request.

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## **Education and Business Standards**

We require that advisors in our employ have a bachelor's degree and further coursework or substantive investment-related experience within the scope of financial services. Examples of acceptable coursework include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. In addition, all such individuals have attained all required investment-

related licenses and/or designations. The following pages contain the relevant summary of our investment professionals' qualifications and work background

## Principals and Managers

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### Principal Executive Officers and Management Persons

The following is information provided for James E. Lundgren, Dennis Shaw and Dennis Walter who are the principals and managers of Hg Capital Advisors, Inc.

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#### JAMES E. LUNDGREN

- Date of birth: May 15, 1965

##### Educational Background:

- Indiana University, B.A., Economics (1992)
- Indiana University, B.A., East Asian Cultures (1992)

##### Business Experience:

- Hg Capital Advisors, LLC, Managing Principal. (2001 - Present)
- Self-Employed Consultant (2017 – Present)
- Numetrix Capital, Research Provider (2013-Present)
- Securities Service Network, (1999 – 2009)
- Raymond James Financial, Investment Consultant. (1995 - 1999)
- Kemper Securities, Investment Consultant. (1992 – 1995)
- Oppenheimer & Co., Investment Consultant. (1991 - 1991)

##### Professional Certifications:

- Financial Industry Regulatory Authority (FINRA), Registered Representative. (1991)
- Uniform Investment Advisor Series 65. (1996)
- General Lines Insurance License. (1997) (not currently active)

Disciplinary Information: None

Other Business Activities: Mr. Lundgren is a minority partner in Numetrix Capital, an investment research firm providing quantitative investment solutions to financial advisors. This activity requires a very limited number of hours per week. Mr. Lundgren or Hg Capital may recommend that clients or unaffiliated investment advisers utilize the services of Numetrix Capital. Such recommendation creates a **conflict of interest**, as the residual compensation received by Mr. Lundgren may provide an incentive to recommend Numetrix Capital's services, rather than basing such recommendation on a particular client or unaffiliated advisory firm's need. As more fully detailed in Hg Capital's Disclosure Brochure (at Items 5 and 10), in the event a client of Hg Capital invests in a mutual fund which pays compensation to Numetrix Capital, such client's fee owed to Hg Capital will be offset against a portion of the compensation received by Numetrix Capital, in proportion to Mr. Lundgren's ownership interest in Numetrix Capital.



Additional Compensation: None

Supervision:

The trading activity of James E. Lundgren is subject to the supervision requirements of Hg Capital, notwithstanding his position as CEO. All of his trades, both for himself and for clients, are reviewed quarterly by Dennis Walter, Chief Compliance Officer. Mr. Walter reviews James E. Lundgren's work through frequent office interactions as well as remote interactions. Mr. Walter also reviews James E. Lundgren's activities through our client relationship management system.

Dennis Walter's contact information:

Phone: 281.589.2632

Email: [dennis.walter@hgadvisors.com](mailto:dennis.walter@hgadvisors.com)

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## **DENNIS SHAW**

- Date of birth: November 07, 1954

Educational Background:

- California State University, Fullerton, B.S., Computer Science (1990)

Business Experience:

- Hg Capital Advisors, LLC, Systems Research. (2003 - present)
- Open Spirit, Senior Software Engineer. (1999 - 2001)
- Chevron, Lead Systems Analyst. (1980 - 1999)
- Occidental Research, Research Associate. (1975 - 1980)

Professional Certifications:

- None

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Dennis Shaw is supervised by James E. Lundgren, CEO. Mr. Lundgren reviews Dennis Shaw's work through frequent office interactions as well as remote interactions. The Chief Compliance Officer also reviews Dennis Shaw's activities through our client relationship management system.

James E. Lundgren's contact information:

Phone: 281.589.2632

Email: [ted.lundgren@hgadvisors.com](mailto:ted.lundgren@hgadvisors.com)

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## **DENNIS WALTER**

- Date of birth: December 27, 1948

Educational Background:

- Indiana University, B.A., Economics (1973)
- John Marshall Law School, J.D. (1977)

Business Experience:

- Hg Capital Advisors, LLC, Chief Compliance Officer. (2010 - present)
- Private practice, Private equity investor. (1999 - 2010)
- Private practice, Attorney. (1995 - 1999)
- First City National Bank of Houston, Vice President, Public Finance; Manager, Broker/Dealer Compliance. (1983 - 1994)
- First City National Bank of Houston, Vice President, Corporate Trust. (1980 - 1983)
- First City National Bank of Houston, Corporate Trust Officer. (1978 - 1980)

Professional Certifications:

- State Bar of Texas. (1978) (currently inactive)
- Illinois State Bar Association. (1978) (currently inactive)

Disciplinary Information: None

Other Business Activities: None

Additional Compensation: None

Supervision:

Dennis Walter is Chief Compliance Officer of Hg Capital. Nonetheless, all of his trading activities, both for himself and by him for clients, are supervised by James E. Lundgren, CEO. Mr. Lundgren reviews Dennis Walter's work through frequent office interactions as well as remote interactions. Mr. Lundgren also reviews Dennis Walter's activities through our client relationship management system.

James E. Lundgren's contact information:

Phone: 281.589.2632 Email: [ted.lundgren@hgadvisors.com](mailto:ted.lundgren@hgadvisors.com)

