## Item 1. Cover Page

HTK

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Clients may also visit us on the web at www.htk.com

# HTK Advisory Services Disclosure Brochure

As of March 31, 2023

(Form ADV Part 2A)

This Disclosure Brochure provides information about the qualifications and business practices of Hornor, Townsend & Kent, LLC (HTK), a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC"). Clients with any questions about the contents of this Disclosure Brochure, please contact HTK Client Services at (800) 873-7637.

The information in this Disclosure Brochure has not been approved or verified by the SEC or by any state securities authority. Furthermore, registration with the SEC does not imply a certain level of skill or training.

Additional information about HTK also is available on the SEC's website at: www.adviserinfo.sec.gov.

## Item 2. Material Changes

The last annual update of this Disclosure Brochure was March 31, 2022. Since the last annual update, HTK has made no material changes to this Brochure or its Wrap Fee Program Brochure.

However, since the annual update, HTK has made the following changes: Item 4, the offering selection of Third Party Asset Managers has changed; and, under Item 5, HTK is now using Advice Pay, a third party service provider, to facilitate billing and invoicing for financial planning and consulting services.

If you would like another copy of this Disclosure Brochure, you can either download it from the SEC website or we will send you a copy by contacting us at HTK Client Services at (800) 873-7637.

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## Item 4. Advisory Business

### Our Firm

Hornor, Townsend & Kent, LLC ("HTK", "firm", "us", "we" or "our") is registered with the U.S. Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940 and as a broker-dealer under the Securities Exchange Act of 1934. HTK is also a registered broker-dealer with the Financial Industry Regulatory Authority, Inc. ("FINRA") and a member of the Securities Investors Protection Corporation ("SIPC").

HTK has been registered with the SEC providing investment advisory services to clients since February 25, 1999. HTK is based in Horsham, Pennsylvania, and is organized as a limited liability company under the laws of Delaware. HTK is a wholly owned subsidiary of The Penn Mutual Life Insurance Company ("Penn Mutual") and serves as a principal underwriter and distributor for variable insurance and annuity products issued by Penn Mutual and, its insurance affiliate, The Penn Insurance and Annuity Company ("PIA"). The principal business of Penn Mutual is life insurance.

As of December 31, 2022, HTK manages $6,845,795,281 of client assets on a non-discretionary basis and $269,110,000 of client assets on a discretionary basis. As a registered investment adviser, HTK provides advisory services to clients by and through our investment adviser representatives ("Advisers"). For more information about advisory services provided by an Adviser, please refer to their Brochure Supplement (Form ADV Part 2B). The Brochure Supplement is a separate document that is provided by the Adviser along with this Disclosure Brochure before or at the time a client engages with them. Clients who have not received a Brochure Supplement for their Adviser should contact their Adviser directly or HTK Client Services at (800) 873-7637.

This Disclosure Brochure provides clients and prospective clients with information about HTK advisory services. Clients are advised and should understand that there can be no assurance that any particular strategy will be successful in achieving the client's investment goals and objectives. Any investment in the securities markets involves risk, including the realization of investment loss.

### Our Fiduciary Role

HTK and its Advisers are fiduciaries under the law. We must make full disclosure of all material facts relating to the advisory relationship, seek to avoid conflicts of interest, and make full disclosure of any material conflicts of interest between us and clients that could affect the advisory relationship. We must also act in the client's best interest. The level of monitoring in your advisory account will depend on the type of account and the advisory program you select.

### HTK Advisory Services

HTK offers the following investment advisory services:

- Financial Planning and/or Consulting Services
- Retirement Plan Consulting Services ("RPCS")
- Third-Party Asset Managers ("TPAMs")

In choosing one or more of the services above, the Adviser will work with clients to assess their needs and investment objectives. The investment will collect information including, but not limited to, the client's investment goals, income requirements, time horizon, and tolerance for risk in order to tailor their recommendations to their needs and objectives. Clients will also be able to communicate any reasonable restrictions they would like to impose on the management of or investment products included in their account. A more detailed description of each service is provided under the corresponding headings below and under **Item 5: Fees and Compensation**.

Note that HTK also offers wrap fee programs. Clients, under a wrap fee program, generally, pay one inclusive fee that is not based on transactions executed in the account. Services provided include investment management, custody, reporting, performance-monitoring, and trade execution service. HTK wrap fee program offerings are detailed separately in the HTK Wrap Fee Program Brochure Supplement.

HTK Advisory Services Descriptions

We offer advisory services on various platforms that use different custodians. The advisory services will differ dependent upon the services provided by the Adviser and the platform the client chooses.

Financial Planning and/or Consulting Services

Financial planning services are offered on a comprehensive or limited focus basis. This can be one-time only service or an ongoing consulting service. Financial plans encompass all or some of the following areas including retirement planning, education planning, estate planning, business succession planning, portfolio review and evaluation and/or budgeting and cash flow analysis. The Adviser will collect and use information provided by the client to evaluate and discuss financial planning recommendations. For financial planning services, a client will enter into a written Fee-based Financial Planning Agreement before any financial services begin. This agreement will describe the services and fees the client and Adviser have agreed upon. Once the financial plan is delivered to the client, the client is free to implement the plan on their own, should the client choose to do so. An additional agreement will be required for clients choosing to use the Adviser for additional advisory services and/or engage a HTK registered representative for brokerage or other financial services. The initial meeting with the Adviser is an opportunity for the client to identify their values and objectives, risk tolerance, and needs. The planning process helps the client to become more aware of their own personal finances, current and future needs and how decisions can impact the client and the future.

Ongoing consulting services include ongoing consultation with the Adviser on financial matters including, but not limited to, ongoing access to the Adviser via email/phone; budgeting and cash flow analysis, education planning; estate, legacy or multigenerational planning; major purchase planning; business financial planning; family financial planning; life transition planning; special needs planning; and/or philanthropic/charitable planning. For ongoing consulting services, the client will enter into a separate written consulting services agreement before any financial services begin. This consulting services agreement will describe the services and fees the client and Adviser have agreed upon. The Adviser may or may not provide written reports and analysis. The client is free to implement on their own any recommendation or advice provided by the Adviser as a result of the consulting services relationship. There is no requirement to use HTK or any of its Advisers or financial professionals for investment services. An additional agreement will be required if the client chooses to utilize the Adviser for further advisory services and/or engage a HTK registered representative for brokerage or other financial services. Consulting services do not include implementing or monitoring of any recommendations provided under the consulting agreement, and neither HTK nor the Adviser will have any discretion over the client's assets under the consulting services relationship.

HTK and its Advisers do not provide legal, tax, or accounting advice; any information provided relating to legal, tax or accounting considerations affecting the client's financial situation or transactions is not intended to be legal, tax or accounting advice and should not be relied on as such. Clients should consult with their own legal, accounting or tax professionals.

Retirement Plan Consulting Services (“RPCS”)

Through HTK’s RPCS program, Advisers, who meet certain requirements, assist clients that serve as trustee (or a fiduciary) to retirement plans by providing fiduciary and/or non-fiduciary services. In instances where HTK provides fiduciary services under RPCS, the Adviser appointed by the trustee (or a fiduciary) will serve as a 3(21) fiduciary as defined under the Employee Retirement Income Security Act of 1974 (“ERISA”) to a retirement plan. Advisers will perform certain limited scope investment advisory services for the retirement plan consistent with Section 3(21) of ERISA. Services are provided on a non-discretionary basis, which means that the client must authorize each transaction prior to execution of a trade.

Fiduciary services may include: assisting clients with preparing and reviewing a retirement plan investment policy statement; recommending to clients specific investment vehicles made available as investment options under a retirement plan; periodically monitoring a retirement plan investment options and providing reports and analysis generated by third-party software providers; and, assisting clients in meeting the broad range requirement of Section 404(c) under ERISA, which relates to the consideration of investment alternatives with differing potential for investment risk and return. However, the Adviser is not responsible for a retirement plan’s compliance with Section 404(c) of ERISA.

Non-fiduciary services may include: reviewing the size, demographics and growth trends of the retirement plan and making recommendations on key provisions in the retirement plan; providing educational materials prepared by platform providers, addressing general fiduciary duties applicable to maintaining a retirement plan; conducting periodic meetings, with clients, to discuss certain industry and legislative developments; liaising between the retirement plan and service providers, product sponsors or vendors; and, recommending one or more platform service providers. Advisers evaluate industry service providers, based upon a variety of factors including, but not limited to, cost, fund performance, and services provided. In doing so, Advisers provide services including assisting with the preparation, distribution and evaluation of requests for proposals for platform providers, and interviewing finalists.

Separate from services provided under RPCS, HTK and its Advisers offer retirement plans and those plan participants all other securities products and advisory services available through HTK. When offering such other securities products and advisory services neither HTK nor its Advisers are acting as fiduciaries under Section 3(21) and, if any such separate services are offered, the recipient of such separate services is advised to make their decision to accept or reject such “other securities products and advisory services” independently of and without reliance on any advice or opinion of HTK or the Adviser.

Third-Party Asset Managers (“TPAMs”)

TPAM programs, reviewed and approved by HTK for use by Advisers, provide clients with the opportunity to have their investment portfolios professionally managed by third-party asset managers unaffiliated with HTK. TPAM programs offer clients access to a wide variety of model portfolios with varying levels of risk from which they can choose. TPAMs selected by HTK satisfy our due diligence review process and requirements. In limited situations, HTK has the discretion to waive certain requirements and limit the services provided to “service only” relationship, under which no new clients are placed under the TPAM management. Not all TPAMs are available to all Advisers or all clients, and are subject to change.

Each TPAM program is uniquely structured and the investment strategies, types of investments, account minimums, and fee structures vary within each TPAM program. HTK is not the sponsor of these programs, but HTK and its Advisers act either as a Promoter or Co-Adviser. In other words, the Adviser either refers the client to the TPAM and receives a referral fee for the client introduction (Promoter), or assists clients in completing financial profiles and making recommendations, and monitoring client's selected investment to provide assurance that services continue to be suitable and appropriate for the client's financial circumstances, objectives, preferences and restrictions (Co-Adviser). The Adviser will help clients select the TPAM most appropriate to the client's needs. Once selected, the client enters into a separate advisory agreement with the TPAM that details the scope of services to be provided. This agreement may be in addition to other investment advisory agreements entered into with HTK. Neither HTK nor the Adviser performs ongoing discretionary asset management in the client's portfolio; this is performed by the TPAM. TPAM accounts are maintained with other broker-dealers or custodians.

It is a conflict of interest when an Adviser recommends a particular TPAM because the advisory fee paid provides greater compensation than provided by other TPAMs. Clients should carefully review each TPAM Disclosure Brochure and any agreements and disclosure documents the TPAM provides to clients.

Additional Information Regarding ERISA or Other Tax Qualified Retirement Plans

If the account is for a pension or other Employee Benefit Plan governed by ERISA (such as a 401(k) Plan), or a tax qualified retirement plan governed by Section 401(a) of the Internal Revenue Code ("Code") not covered by ERISA (such as Keogh Plans, or an individual retirement account ("IRA,")) under Section 408 of the Code, HTK acts as "fiduciary" within the meaning of Section 3(21) of ERISA and Section 4975(e) of the Code. In such an instance, HTK serves as a fiduciary only when it assists in the selection of money managers and when it does ongoing performance monitoring and appraisal of selected third party managers.

In addition to the fiduciary standard that applies to HTK advisory services, there are circumstances under which HTK and its Advisers are subject to a fiduciary duty under the Internal Revenue Code ("Code"), and/or the Employee Retirement Securities Act of 1974 ("ERISA"). Recommendations involving rollovers from an employer retirement plan, such as a 401(k) or other pension or employee benefit plan governed by ERISA, and Individual Retirement Accounts ("IRA's") are subject to a fiduciary duty. Prior to rolling over or transferring assets from an employer retirement plan, the client should compare investment options, fees and expenses, and services between the existing and proposed accounts. It may be in the client's best interest, after consideration of all factors, to leave assets in the current plan. HTK has established policies and procedures that require HTK and its Advisers to meet a professional standard of care when making investment recommendations, to put the client's interests ahead of our own when making recommendations, charge no more than reasonable compensation for services rendered, comply with federal securities laws regarding best execution, and make no misleading statements about conflicts of interest, fees, and investments. When an Adviser provides a rollover recommendation to a client, the advisory fee on those assets may pose a conflict of interest.

## Item 5. Fees and Compensation

For all advisory services offered by HTK, the specific manner, in which fees are calculated and charged, is described and agreed to in the advisory and/or financial planning/consulting agreement(s). Depending on the advisory services selected by the client, certain fees are negotiable and may include hourly fees, fixed fees, or a percentage of assets under management. Fees may be billed in advance or in arrears. Clients paying in advance may be entitled to a prorated refund of any prepaid fees for services not received upon termination of the agreement. The amount of fees that are charged will consider the complexity and time involved in the work performed, the degree of responsibility HTK and the Adviser have over the account, the needs and characteristics of the client, the types of investments, and the costs involved in providing the service(s) selected. Information regarding fees and compensation for each of the HTK Advisory Services programs is provided immediately below. Clients should read their agreement(s) carefully and ask their adviser any questions related to fees and compensation.

Financial Planning and/or Consulting Services

For the Financial and/or Consulting Planning Services offered by HTK's Adviser, fees and compensation are described in the Financial Planning and/or Consulting Services Agreement. Fees are negotiable, and may vary based on the complexity of the advisory service. In some instances, the Adviser may have their own fee schedule; therefore, the cost of similar services by an adviser may be higher or lower than the fee schedule quoted by another investment adviser. Clients will be invoiced for any payments due. All payments for financial planning or consulting services, other than RPCS, are invoiced and processed through AdvicePay, a third party service vendor.

Clients who terminate a financial planning or consulting agreement before the plan or consultation has been completed will be refunded any prepaid unearned fees by providing written notice to HTK.

Retirement Planning Consulting Services (RPCS)

Under RPCS, clients, such as a plan sponsor or authorized fiduciary for a retirement plan, pay HTK a fee ("RPCS Fee") for services rendered to the retirement plan as defined in the RPCS Fee Agreement. HTK shares a percentage of the RPCS Fee with the Adviser based on the agreement between HTK and that Adviser. The RPCS Fee is based on a percentage of the assets held in the retirement plan (up to 1%), on an hourly basis (up to $500 per hour), or on a flat rate, as negotiated between the retirement plan and the Adviser. Fees for advice and services provided to ERISA retirement plans are negotiable between HTK and clients. If the RPCS Fee is paid prior to the services being provided, the retirement plan will be entitled to a prorated refund of any prepaid fees for services not received upon termination of the client agreement among the client, HTK and the Adviser. Further details about fees and expenses in connection with RPCS are set forth more fully in HTK's Section 408(b) (2) Disclosure Statement, as required by the Department of Labor.

TPAMs

For TPAMs, HTK charges up to 1.5 percent (1.5%) of the client's account value. This does not include manager fees and other charges associated with the TPAM program. For details related to specific TPAM fees, please see the applicable TPAM Disclosure Brochures.

When HTK and its Advisers act as a Promoter and introduce clients to the TPAM, the TPAM pays HTK a Promoter Fee, which is shared with the Adviser. In some instances, HTK and the Adviser will share the referral fee; in other cases, HTK may assess a separate fee in addition to the referral fee. The Promoter Disclosure Statement, provided to clients at the time of referral, will specify the fee paid to HTK. When HTK and its Adviser act as Co-Adviser, taking a more active role in advisory services provided to the client, a portion of the advisory fee charged by the TPAM is paid to HTK and the Adviser. In some cases, the Adviser may add a fee to the TPAM fee for performance of certain advisory services. Clients should review the investment advisory agreement and the TPAM's Disclosure Brochure for further information regarding the advisory fee charged for the selected TPAM.

The same or similar services to those described above may be available elsewhere to clients at a lower cost including through HTK's wrap fee program. HTK offers some employees, its Advisers, and family members a discount or waiver of some or all fees.

Other Fees and Expenses

Advisers who provide financial planning and/or consulting services also receive compensation from HTK or its affiliates in connection with sales of financial products recommended. If a client decides to implement an investment recommendation to purchase or sell securities through a licensed representative of HTK, HTK and its representative(s) will receive commissions or other compensation in connection with such transaction, and this creates a conflict of interest as there is an incentive to potentially recommend products based on the compensation received, rather than on a client's needs. Clients are not under any obligation to execute transactions through the Adviser, and may utilize the services of registered representatives who are not affiliated with HTK. HTK does not reduce its advisory fees to offset commissions or markups.

HTK may receive certain fees from TPAMs for conferences, events and marketing support services, and this compensation presents a conflict of interest as there is an incentive for HTK and its Advisers to recommend the TPAM to clients seeking investment advisory services. Additionally, HTK may enter into revenue share arrangements for direct assets under management with certain TPAMs; a revenue share arrangement means that HTK may be paid a percentage of the assets invested. This compensation is in addition to other payments, compensation or fees payable under separate agreements. This may create a conflict of interest as HTK and its Advisers are incented to choose a TPAM that provides revenue share arrangements.

If a client decides to roll assets out of a retirement plan, such as a 401(k) plan, into an individual retirement account ("IRA"), HTK and its Advisers have a financial incentive to recommend that the client invest those assets with HTK because HTK will be paid an advisory fee on those assets, and other compensation. Clients should be aware that such fees would likely be higher than those a client would pay through the plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan are generally not transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan.

When acting as an insurance agent, an HTK representative offers and sells insurance products issued and distributed by an insurance company, and receives commissions for the sale of insurance products, in addition to any investment advisory service compensation. This creates an incentive for the Adviser to recommend certain products. Though HTK does not recommend the purchase of specific insurance products as part of its advisory services, an HTK representative when acting as an insurance agent recommends the purchase of certain insurance products based on the client's needs.

Clients should be aware that when assets are invested in shares of mutual funds, Exchange Traded Funds ("ETFs"), closed-end funds, Unit Investment Trusts ("UITs"), or other pooled investment vehicles, clients will pay both the direct management fees to HTK for its services in connection with these investments and, indirectly, a pro-rata share of any internal management fees or expenses related to owning those investments. Clients can invest directly in these securities without incurring the fees charged by HTK. In addition, there may be tax consequences for fund share redemptions made by a client or on their behalf, as well as deferred sales charges or redemption fees.

All fees paid to HTK for its investment advisory services are separate from the fees and expenses charged to clients invested in shares of investment companies and/or other pooled investment vehicles. A complete explanation of the fees and expenses associated with these investments, along with other important information, is contained in the prospectus, disclosures and/or other information provided by the investment provider to clients.

Clients should also understand that when opening an account with HTK there are additional fees and charges imposed by Pershing, LLC, HTK's clearing firm. These charges include, but are not limited to, custodial, clearing and execution charges, special fees for services rendered to special managed accounts, fees assessed to IRA or retirement type accounts, and other miscellaneous charges incurred in the normal course of business.

Revenue Sharing and 12b-1 Fees Received from Mutual Fund Advisers and Distributors

HTK receives compensation from the mutual fund advisers and distributors of mutual funds when it invests client assets in the funds. For mutual funds that have Rule 12b-1 distribution plans, funds pay distributors under such plans, and distributors share such payments (called "12b-1 fees") with HTK. A mutual fund's 12b-1 distribution plan is typically disclosed in the applicable fund's registration statement.

HTK receives 12b-1 fees from load and no-load mutual funds that pay distribution fees. These fees come from fund assets and, consequently, indirectly from client assets. HTK's receipt of 12b-1 fees presents a conflict of interest between HTK and its clients as the firm has a financial incentive to invest client assets in mutual funds that pay HTK 12b-1 fees, preferring these to funds that have no such fees or that have lower fees. HTK addresses this conflict through this disclosure and by automatically crediting to client accounts all 12b-1 fees generated by mutual funds owned by HTK clients in its Wrap Fee Programs outside of the Pershing cash sweep program.

Mutual funds, including money market funds, generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (typically referred to as class A, class B, and class C shares), mutual funds also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria. Requirements may include considerations, such as, minimum dollar amount thresholds or advisory program eligibility. Institutional share classes typically have a lower expense ratio than other share classes and do not pay 12b-1 fees. Clients who are invested in mutual funds that pay 12b-1 fees will pay more in expenses and over time likely will have lower returns than clients who are invested in mutual funds that have similar investment strategies and holdings, but do not pay 12b-1 fees. HTK has a financial incentive to recommend or select share classes that have higher expense ratios, including 12b-1 fees, because such share classes can generally result in higher compensation to HTK. HTK addresses this conflict of interest by: automatically crediting to client accounts all 12b-1 fees paid to HTK (outside of the Pershing cash sweep program), that are attributable to mutual fund holdings in accounts within HTK's Advisory Series Program; disclosing the conflict presented; providing its Advisers with education and guidance and supervising its Advisers on this issue. Regardless of such considerations, HTK clients should not assume that they will be invested in the share class with the lowest possible expense ratio or one that does not pay 12b-1 fees.

HTK Smart Journey (Betterment) offers a cash sweep program to hold funds in client accounts that are not otherwise invested, until those funds are used to fund securities transactions or withdrawn. Betterment may receive payments from cash sweep program banks, and this may create a conflict of interest. Neither HTK nor its Advisers receive revenue from Betterment's cash sweep program. Refer to Betterment's Form ADV Brochure and Brochure Supplement for details.

Pershing, LLC

HTK receives revenue sharing payments from Pershing, the broker-dealer and custodian that provides clearing and custodial services to HTK clients. These revenue sharing payments include 12b-1 fees paid to Pershing from mutual fund advisers, distributors, and distribution assistance programs.

Pershing offers several cash sweep options to hold funds in client accounts that are not otherwise invested, until those funds are used to fund securities transactions or withdrawn. A cash sweep is a process that automatically transfers un-invested cash balances in eligible accounts, including cash balances derived from the sale of securities, dividend payments, interest credited from bonds, and cash deposits into a money market fund. Pershing receives revenue, which it terms "distribution assistance," for certain cash sweep money market fund options available in HTK Advisory Series Program and in some circumstances shares that revenue with HTK. A part of this revenue includes Rule 12b-1 fees. To the extent that the revenue Pershing shares with HTK includes proceeds related to these 12b-1 fees, these payments are not credited back to client accounts in the Advisory Series Program.

HTK's receipt of distribution assistance revenue from Pershing as part of the revenue sharing payments presents a conflict of interest for HTK when recommending that clients utilize and enter into the automatic cash sweep program. When choosing a money market fund to serve as the default cash sweep option, Advisers or clients have the option to elect other money market funds that may provide more or less distribution assistance to HTK.

Until July 12, 2018, HTK participated in Pershing's no-transaction-fee program called "Fund Vest." The mutual funds adviser on the Fund Vest platform made revenue sharing payments to Pershing, including 12b-1 fees. Pershing shares this compensation with HTK, including 12b-1 fees, and will continue to share such revenue with HTK as long as the client continues to own mutual funds from the Fund Vest platform in their Advisory Series Program account. The receipt of revenue sharing created an incentive for HTK to recommend funds that pay 12b-1 fees, preferring these to those funds that have no such fees or that have lower fees. HTK addresses this conflict through this disclosure and by automatically crediting to client accounts all 12b-1 fees generated by mutual funds owned by HTK clients in the Advisory Series Program on the Fund Vest platform.

Pershing also pays compensation to HTK in the form of the annual maintenance fee charged for individual retirement accounts (i.e., Traditional, Rollover and/or Roth accounts) held with Pershing. This compensation creates a conflict of interest for HTK when recommending clients' custody their retirement accounts with Pershing.

## Item 6. Performance-Based Fees and Side-by-Side Management

HTK and Advisers do not receive performance-based fees. A performance-based fee is an advisory fee that compensates the Adviser for their success in managing their client's assets or "a fee based on the share of the capital gains and appreciation of a client's funds." A performance-based fee may induce an adviser to take greater and undue risks with client's funds in an attempt to generate higher compensation to the Adviser.

## Item 7. Types of Clients

HTK primarily serves individuals, high net worth individuals, trusts, businesses, and charitable organizations as well as the retirement assets of individuals and businesses, including, individual retirement accounts (IRAs), IRC 403(b) and 457 programs as well as employer sponsored ERISA plans. Clients may open qualified and non-qualified accounts with HTK. Not all investors and plans, including retirement plans, are eligible to invest in one or more of HTK's advisory services programs. Clients should consult with their adviser or their employer to determine if assets are eligible to invest.

There are no account minimums or front-end requirements for clients that engage in the financial planning and/or consulting services offered by HTK.

Clients should refer to the disclosure documents of the applicable TPAM provider for more detailed information regarding the TPAM's account minimums and other conditions.

HTK's RPCS services are available to clients who are trustees or other fiduciaries to retirement plans, including 401(k), 457(b), 403(b) and 401(a) plans. Such plans may include participant directed defined contribution plans and defined benefit plans. Such plans may or may not be subject to ERISA. HTK does not require a minimum asset amount for retirement plan consulting services.

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

HTK Advisers use various methods to determine an appropriate investment strategy for a client's portfolio. During the initial and subsequent meetings with an Adviser, the specific methods used for the client's account will be discussed. The strategies could include the following:

- Asset allocation: This is an investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. The general theory behind asset allocation is that each asset class will perform differently from the others in different market conditions. Asset allocation does not guarantee a profit or protect against loss.
- Diversification: Diversification is a risk management strategy that uses a wide variety of investments within a portfolio. A diversified portfolio contains a mix of distinct asset types and investment vehicles with the intention to minimize exposure to any single asset or risk. Diversification does not guarantee a better return than a non-diversified portfolio.
- Dollar-cost averaging ("DCA"): This is the strategy of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. DCA is believed to lessen the risk of investing a large amount in a single investment at a higher price. DCA does not prevent against loss in declining markets.
- Fundamental Analysis: This type of analysis concentrates on earnings, a company's financial statements, and the quality of a company's management. These quantitative factors are then used to attempt to determine the financial strength of a company.
- Technical Analysis: This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on factors such as trading volume, demand, and security price fluctuations. This type of analysis is also commonly referred to as chart analysis.
- Concentrated Investment Strategies: Certain investment strategies may be concentrated in a specific sector or industry. If you invest in a portfolio or strategy that is made up of a concentrated position, sector or industry, your portfolio will be more likely to sharply increase or decrease in value with changes in the markets. Concentrated strategies are more volatile because the risk associated with each company represents a large percentage of your overall portfolio value.

These methods of securities analysis serve as a basis for the investment advice given to clients which includes, but not limited to, long term purchases (securities held at least a year); short term purchases (securities sold is within a year); and option writing (primarily, including covered options strategies). For the most part, analysis is provided via tools provided by HTK or approved for the Adviser for use by HTK. In addition, the services of other unaffiliated parties can be used to perform investment research, which include a screening and evaluation of investment firms, mutual funds, index funds, exchange traded funds and other managed or unmanaged investment vehicles. HTK and HTK Advisers also use third-party research to assist in the development of asset allocation models, investment research, security opinions, valuations, analysis and investment manager/management due diligence. Advisers either develop asset allocation models or use others from outside independent sources that are approved by HTK. Because Advisers develop their own methods of security and portfolio analysis, sources of information, and investment strategies to assist in the delivery of investment advice to clients, recommendations and advice provided differ amongst clients and differ amongst Advisers.

Most of the advisory services HTK provides involves the purchase (or sale) of securities. All investing involves some level of risk. In many cases, the risk includes the potential to lose the entire amount of the client's invested principal. Mutual funds and other pooled investment vehicles have disclosure documents that discuss these risks. This disclosure document is commonly referred to as a prospectus. Clients should review disclosure documents carefully, and work with their Adviser to answer any questions they may have.

Investing in the securities market involves investment risk including the possible loss of the principal amount invested. Neither HTK nor its Advisers represent, guarantee or imply that services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses.

Investing in equity securities generally involves becoming an owner in the issuer company and participating fully in its economic risks. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result clients can suffer losses if they invest in equity instruments of issuers.

An issuer of bonds has agreed to return the face value of the security to the holder at maturity. Most bonds pay investors a fixed rate of interest income. While bonds are generally considered more conservative than equity investments, they carry risks that include the risk that the issuer will default on payment of principal, fluctuation in interest rates, inflation and counterparties' inability to meet contractual obligations.

Mutual funds and ETFs generally own securities and are therefore exposed to the risk of loss that is inherent in investing in securities of individual companies. The extent of the risk of ownership of fund shares generally depends on the type and number of securities held by the fund. Mutual funds are subject to the individual risks described in their prospectuses. For example, mutual funds in fixed income securities are subject to the same interest rate, inflation, and credit risks associated with the fund's underlying bond holdings. Risks are significantly increased if a mutual fund pursues an alternative investment strategy. An investment in an alternative mutual fund involves special risks such as risk associated with short sales, leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. Investing in alternative strategies presents the opportunity for significant losses. Returns on mutual fund investments are reduced by management fees and expenses. All mutual funds, including "no load" funds, incur transaction costs, expenses, and other fees that are passed through by the mutual fund and ultimately paid by the fund shareholders. Generally, this information is referred to in the fund Prospectus, or in other information as may be requested or obtained from the fund. Mutual fund shares fluctuate in value, rising and falling in price depending on the performance of the underlying securities in the fund. The Net Asset Value ("NAV") of a mutual fund indicates its value or price per share.

There are many types of risk associated with an ETF, including but not limited to, market risk, tax risk, portfolio risk, risks in a particular industry or sector that the ETF tracks, etc. While ETFs can provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money), or concentrate in a particular type of security rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing can lag versus the actual underlying asset values and there is no guarantee this relationship will resolve itself. ETFs also are subject to the individual risks described in their prospectus.

Although many mutual funds and ETFs provide diversification, risks can be significantly increased if a mutual fund or ETF is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage to a significant degree, or concentrates in a particular type of security. One of the main advantages of mutual funds and ETFs is that they give individual investors access to professionally managed, diversified portfolios of equities, bonds and other securities.

Although the goal of diversification is to combine investments with different characteristics so that the risks inherent in any one investment can be balanced by assets that move in different cycles or respond to different market factors, diversification is not always successful in reducing correlation among asset classes and does not eliminate the risk of loss. In some circumstances, price movements are highly correlated across securities and funds. A specific fund may not be diversified, and a client portfolio may not be diversified. Additionally, when diversification is a client objective, there is risk that the strategies that the Firm uses will not be successful in achieving the desired level of diversification. There is also risk that the strategies, resources, and analytical methods that HTK uses to identify mutual funds and ETFs will not be successful in identifying investment opportunities.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss.

In addition to investment risks, clients should also be aware of cybersecurity risks. The computer systems, networks and devices used by HTK, its Advisers, service providers to HTK and clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices could still be breached. A client could be negatively impacted by a cybersecurity breach by causing disruptions and impacting business operations, potentially resulting in financial losses to a client, or impeding trading. Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality.

Unique Risks Related to TPAMs

Regarding TPAM programs, clients should refer to the applicable disclosure document for more detailed information regarding the method of analysis used to provide investment advice or manage assets and the risks associated with the investment strategies used by the third-party money manager. TPAMs may make different types of products available to HTK clients. Clients should work with their adviser to understand the precise risks each product carriers prior to investing.

## Item 9. Disciplinary Information

On November 14, 2017, without admitting or denying the findings, HTK consented to sanctions and to the entry of findings by FINRA that HTK’s broker-dealer failed to implement a supervisory system and procedures reasonably designed to ensure the suitability of multi-class variable annuities sales, including L-Share contracts. The findings stated that HTK failed to implement an adequate supervisory system and Written Supervisory Procedures (“WSPs”) related to the sales of multi-class class variable annuities. The WSPs failed to provide registered representatives and principals guidance and suitability considerations for sales of different variable annuities share classes. HTK did not provide education to representatives on the features of the various share classes and the associated fees and surrender charges, and did not provide them with adequate information to compare share classes to make suitability determinations. In addition, HTK failed to establish, maintain, and enforce WSPs or provide sufficient guidance or training to registered representatives and principals regarding the sale of long-term income riders with multi-share class variable annuities, particularly the combination of L-share contracts with long-term income riders. The findings also stated that HTK failed to adequately supervise the private securities transactions of registered representatives with third-party advisory firms. The WSPs did not address the supervision of transactions that representatives executed on behalf of third-party advisers. As a result, HTK did not adequately supervise these activities. HTK was censured and fined $275,000.

## Item 10. Other Financial Industry Activities and Affiliations

Broker-Dealer Registration

HTK is a registered investment adviser with the SEC and a registered broker-dealer, and a correspondent firm of Pershing LLC, which is HTK's clearing broker-dealer. As such, HTK introduces client transactions to Pershing for execution, clearance and settlement. In addition to these services, Pershing provides custody of client brokerage and advisory accounts. Clients who subscribe to the HTK Advisory Series Program establish a securities brokerage account with HTK and execute, clear, and settle securities transactions for their Advisory Series portfolios through Pershing. Although no client is required by law to select Pershing for execution, clearance, settlement or custodial services, a client desiring to participate in HTK's Advisory Series Program is not permitted, because of the clearing arrangement between HTK and Pershing, to choose a different clearing broker/dealer (i.e., other than Pershing) for execution, clearance, settlement, and custodial services. HTK and Pershing are not affiliated entities. See also Client Referrals and Other Compensation below.

HTK Advisers may be registered representatives of HTK, and through this relationship receive transaction-based compensation for annuities and 529 Plans where HTK is the broker of record. This presents a conflict of interest in that it could incentivize advisers to recommend annuities based on the additional transaction-based compensation that the adviser will receive rather than based on a client's needs. HTK addresses this conflict through this disclosure and by preventing advisers from receiving both advisory fees and transaction-based compensation on the same assets.

Other Material Relationships

HTK is a wholly-owned subsidiary of Penn Mutual and serves as a principal underwriter and distributor for registered insurance products issued by Penn Mutual and PIA. Penn Mutual and its affiliate companies are engaged in providing a range of diversified financial services. Certain of these companies are broker-dealers, investment companies, advisers, and insurance companies.

The majority of HTK's registered representatives and Advisers are licensed and appointed as life insurance agents with Penn Mutual. When acting as an insurance agent, an Adviser offers/sells insurance products issued and distributed by either or both Penn Mutual or PIA. As insurance agents, HTK representatives receive commissions for the sale of insurance products, which will be paid in addition to any compensation received by the Adviser for providing investment advisory services, and may at times include recognition, events and conferences. These compensation arrangements present an incentive for the Adviser to recommend products offered by these affiliated companies.

In addition, advice offered to an advisory client is provided in the form of a recommendation that a client may or may not choose to implement. The client is under no obligation to use HTK or its representatives to implement the recommendations made in a brokerage and/or insurance capacity. If the client chooses to implement securities transactions through HTK, there is a potential conflict of interest since HTK and it representatives receive commissions for the execution of transactions. HTK addresses this conflict through this disclosure and by advising clients here that clients are under no obligation to purchase insurance products through any person affiliated with HTK.

Some Advisers own and operate their own independent companies - referred, in the industry, as outside business activities or "OBAs" - outside of brokerage and advisory services offered by HTK. These unaffiliated companies provide OBA services to clients that include, but are not limited to, accounting/tax practices, business consulting, insurance agencies, legal services, and others. OBA services are offered and performed solely in the Adviser's private and/or professional capacity - not as a representative of HTK.

HTK entered into a relationship with Advisor Credit Exchange (ACX), which provides security-backed lines of credit (SBLOC), unsecured loans, loans backed by other assets, and residential real estate loans. To obtain an SBLOC, clients are able to use their investment accounts as collateral for a variable or fixed line of credit. HTK Advisers may refer clients that require lending services to ACX. Any such referral is an ancillary account service and it is not part of any Advisory Program or Advisory Service. HTK Advisers act as an intermediary but do not act in a fiduciary capacity to clients when making such a referral and will not provide advice or oversee any such lending arrangement. HTK Advisers are, however, responsible for counseling clients on the implications of obtaining SBLOCs, loans backed by other assets, or unsecured loans including; the impacts of market and interest rate fluctuations and potential tax implications, as applicable. Clients may not use proceeds from a loan to purchase securities. HTK receives a fee from the lender based upon the amount of the loan. HTK Adviser are not compensated for these referrals.

Information Regarding CFP® Certificants

If an Adviser is a CFP® certificant, the Adviser acknowledges their responsibility to adhere to the standards established in CFP Board's Standards of Professional Conduct ("Standards"), including the duty of care of a fiduciary, as defined by CFP Board. If a client becomes aware that their conduct of their Adviser may violate the Standards, the client may contact the CFP Board at www.CFP.net/complaint. The Certified Financial Planner Board of Standards, Inc. owns the certification marks CFP®, Certified Financial Planner™ and federally registered CFP in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

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

Our Shared Commitment

Penn Mutual and its affiliate companies have adopted a values statement or "Our Shared Commitment" that aligns our principles with our unique company culture. HTK is dedicated to upholding Our Shared Commitment, while conducting ourselves in a manner consistent with the highest ethical and fiduciary standards.

- We are driven by a commitment to serve the best interests of our clients, guided by unwavering integrity. It inspires every decision we make and every action we take.
- We conduct business honestly and ethically.
- We foster authentic and mutually beneficial relationships.
- We make decisions that are consistent with the laws and regulations that govern our business and conduct.
- We safeguard our assets and protect the privacy and confidentiality of information entrusted to us.
- We maintain financial integrity to meet obligations to our policyholders and protect the company's long-term viability.
- We embrace and nurture a culture of respect, diversity, equality and inclusion, and maintain a positive and safe workplace free from harassment or any other inappropriate behavior.
- Doing what's right today, together, for the promise of a brighter tomorrow. The feelings are mutual: Care. Respect. Belonging.

Additionally, HTK has adopted a Code of Ethics that sets forth standards of conduct, requires compliance with applicable securities laws, and reflects the fiduciary principals of our industry. Advisers and other supervised persons are required to attest to their understanding and acceptance of HTK's Code of Ethics on an annual basis. HTK will provide a copy of our Code of Ethics upon request.

Participation or Interest in Personal Trading – Client Recommendations

As part of our ongoing commitment to serve the best interests of our clients, HTK has adopted policies intended to provide assurance that the business activities of Advisers and other associated persons is in agreement with applicable laws, regulations, Our Shared Commitment, and Code of Ethics. HTK expressly prohibits any adviser or related person from improperly profiting at the expense of our clients and/or competing with a client. Advisers and related persons are permitted to buy or sell securities identical to those recommended to clients. However, as a general practice, client purchases and sales must be executed before transactions are made in an adviser and/or related persons accounts.

HTK has adopted policies designed to prevent access to non-public information about securities recommendations, and client securities, holdings and transactions, except to those employees that need such information to perform their duties. Additionally, it is against HTK policy for any access person to place a trade in their own account or in a client's account that is based on material, non-public information. All access persons are required to disclose all personal brokerage accounts where the related person has either direct or indirect beneficial ownership and provide information on all securities transactions (involving reportable securities). HTK defines an "access person" as any director, officer, adviser, and other person supervised by HTK who may have access to nonpublic information or make securities recommendations to advisory clients. HTK periodically reviews the activity in disclosed personal brokerage accounts to verify that the activity is in agreement with HTK policies and applicable laws and regulations.

## Item 12. Brokerage Practices

In connection with RPCS services, an Adviser has the discretion to recommend that a retirement plan use a certain retirement plan platform or service provider (such as a record-keeper or administrator). For some retirement plans, HTK and the Adviser serve as broker-dealer in connection with the sale of securities or insurance products to such plan. As noted above, retirement plans that are subject to ERISA or are otherwise subject to Section 4975 of the Code, 12b-1 fees paid by product sponsors to HTK and the adviser as broker-dealer of record to the retirement plan are used to offset the RPCS Fee.

## Item 13. Review of Accounts

For financial planning clients, HTK periodically reviews financial plans to provide assurance that the services provided are in line with the agreement, parameters and services selected by each client. For RPCS clients, HTK periodically reviews the retirement plan analysis reports produced by Advisers. HTK also periodically reviews TPAM accounts to monitor and confirm the TPAM and its managers remain within expected investment styles and the account is in agreement with the client's current investment objectives and financial goals. Clients should also refer to TPAM's disclosure documents for information about the review of accounts. HTK supervisory personnel review client accounts and advisory services to identify situations that warrant a more detailed review or specific action on behalf of a portfolio or client. Such reviews, include, but are not necessarily limited to suitability, fees, investment results, etc.

For all asset management programs, a quarterly statement, detailing portfolio holdings and market prices, all transactions, performance data and fee billing information, is delivered to clients. In some cases, such statements are delivered to clients by a third-party for those advisory programs where HTK has entered into an agreement with an unaffiliated registered investment adviser to provide certain advisory services. For assets held with HTK's clearing firm, Pershing, trade confirmations are provided for securities transaction placed in the account. From time to time, Advisers may create and present performance illustrations, prepared in accordance with SEC marketing rules. Additionally, clients can contact their Adviser to discuss holdings, account valuations, performance, etc.

## Item 14. Client Referrals and Other Compensation

Marketing Partners Program

HTK's Marketing Partners Program is a program designed to offer managed account program sponsors access to HTK's network of Advisers for marketing, training and education purposes. Forming a focused group of supporting sponsors enables HTK to efficiently use its resources in educating its Advisers. Marketing Partners receive access to Advisers through participation in the following: lists of HTK Advisers; periodic regional marketing support and other marketing initiatives (featured content in HTK monthly newsletters, listing on internal website for HTK Financial Professionals, etc.); educational or sales conferences; and, teleconference education. As part of the program, HTK publicizes and/or promotes the products, sales ideas and other marketing materials from these supporting sponsors. All approved product sponsors of investment company securities, advisory products and direct participation programs have the opportunity to participate in the Marketing Partners Program. Marketing Partners compensate HTK to obtain greater access to Advisers and registered representatives. Advisers are not required to promote a Marketing Partner's products or services to clients. Whenever recommendations are made by Advisers to clients, the Adviser understands that recommendations must be based upon product suitability and consistency with the client's stated investment and financial and other relevant objectives.

Advisers receive production bonuses as a result of reaching certain levels of sales and/or assets under management. Production levels and compensation to advisers varies. There is a potential conflict of interest for HTK and its Advisers when recommending certain affiliated products, because HTK retains a greater share of the revenue from such products.

Advisers are eligible to receive incentives, prizes, awards, and certain reimbursements for advertising, sales literature and promotions offered by product promoters, such as mutual fund companies. It is HTK's policy to permit all Advisers to accept such awards and prizes to the extent that they are usual and customary within the industry, and in compliance with the SEC, FINRA, or state rules, regulations or guidelines. Because an Adviser receives such incentives, a conflict of interest exists when an Adviser recommends a product or service for which an incentive or prize is awarded. HTK addresses the conflict described above through disclosure in this Disclosure Brochure and policies and procedures designed to monitor compliance with applicable regulatory requirements.

## Item 15. Custody

Excluding HTK's ability to deduct fees from proprietary advisory programs as outlined in our Wrap Fee Brochure, HTK does not have custody of client funds or securities. Clients receive account statements quarterly, or more frequently, from the broker-dealer or other qualified custodian that holds their account and assets. Regarding TPAMs, clients should refer to the respective TPAM's Disclosure Brochure for complete information concerning custodial practices and policies of the TPAM.

## Item 16. Investment Discretion

With respect to Financial Planning and/or Consulting Services, RPCS, and TPAM services and/or TPAM programs, HTK, and the Adviser generally do not have discretionary investment authority. Discretionary authority means that neither HTK nor its Advisers have the authority, without consulting with the client, to decide which securities to purchase, sell or retain for the client's account.

## Item 17. Voting Client Securities

HTK and its Advisers are expressly precluded from taking any action on behalf of clients, and are not obligated to render any advice to clients, with respect to (a) the voting of proxies solicited by, or with respect to, the issuers of any securities held in the account; or, (b) legal proceedings involving securities or other investments presently or previously held in the account, or the issuers thereof, including bankruptcies and class action lawsuits. Clients receive proxies or other solicitations directly from the custodian or transfer agent. In the event HTK and/or the Adviser receives such information, HTK and/or the Adviser will send, or will cause to be sent, all such proxy and legal proceedings information and documents to the client, to allow the client to take whatever action they deem advisable under the circumstances. Clients should refer to the respective TPAM's Disclosure Brochure for information concerning its proxy voting policies. Clients can obtain a copy of the TPAM's proxy voting policies and procedures upon request.

## Item 18. Financial Information

HTK does not generally require or solicit prepayment of more than $1,200 in fees per client six months or more in advance. Therefore, HTK has not included a balance sheet of its most recent fiscal year. HTK is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. HTK has not been the subject of a bankruptcy petition at any time during the past ten (10) years.