



## Form ADV Part 2A

### Item 1

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## **Item 2 - Summary of Material Changes**

### Item 4 Advisory Business Item E

Assets under management (AUM) as of December 31, 2019 were updated to \$82,041,780. This is the combined AUM of Highland Investment Advisors LLC (“HIA”) and Fund Management Corporation (“FMC”).

## Effective March 24, 2019

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## **Item 4 - Advisory Business**

A. Highland Investment Advisors, LLC (“HIA”) was founded in September, 2006 as a Wisconsin limited liability company headquartered in Milwaukee, Wisconsin, and owned equally by Kenneth Karr and Adam Drake.

B. The sole business activity of HIA is to offer suggestions for investments and to provide investment advice for individuals, trusts, estates, or charitable organizations. HIA’s advice to clients is limited to the following types of securities: Equity securities (exchange listed, over-the-counter, and foreign issuers), corporate debt, certificates of deposit, mutual funds, exchange traded funds (ETFs), annuities, and government securities (including municipal securities). These securities are defined below.

### **Types of Investments:**

1. **Equity Securities** (exchange-listed securities; securities traded over-the-counter; and foreign issuers). Equity securities denote ownership in a corporation in direct proportion to the number of shares owned by an individual, and represent a claim on the corporation’s assets and profits based on the number of shares owned.

2. **Corporate Debt Securities** are a type of bond that often pays higher rates than government or municipal bonds because they tend to be a higher risk. The owner of a corporate bond receives interest, and the principal, usually \$1,000 is repaid on a fixed maturity date – usually between 1 to 20 years. Corporate bonds are considered to be less of a risk than stocks since the company must pay all its debts before paying stockholders.

3. **Certificates of Deposit**, or CDs, are short-term, interest-bearing debt instruments offered by banks and savings and loans that are FDIC-insured. Because money invested in a CD is tied up for anywhere from three months to six years, they usually offer a higher rate of return than most comparable investments and are considered low-risk. If an investor decides to cash in a CD prior to its maturity date, it is subject to a penalty.

4. **Mutual Fund Shares** are issued by a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each share represents an investor’s proportionate ownership of the fund’s holdings and the income those holdings generate.

5. **Variable Annuities** are contracts issued by insurance companies, under which you make a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments to you beginning immediately or at some future date. You can choose to invest your purchase payments in a range of investment options, which are typically mutual funds. The value of your account in a variable annuity will vary, depending on the performance of the investment options you have chosen. Variable annuities may also offer a variety of features including tax-deferred growth of earnings; a death benefit that will pay to your beneficiary the greater of your account value or a guaranteed minimum amount, such as your total purchase payments; the option of receiving a stream of periodic payments for either a definite period, such as 20 years or an

indefinite period, such as your lifetime or the life of your spouse. Some contracts also offer certain retirement income or premium guarantees.

6. **Fixed Annuities** are a contract with an insurance company. You give them your money to manage, and in exchange they pay you a guaranteed return.

7. **United States Government Securities** are bills (short term), notes (medium term), and bonds (long term) issued by a U.S. government-sponsored agency that is a private entity backed by the government, but not guaranteed by the government. These agencies, such as the Student Loan Marketing Association (Sallie Mae), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) allow individuals such as home buyers and students to have access to low cost financing, and are usually exempt from state and local taxes, but not federal tax.

8. **Municipal Securities** (bonds) are bonds issued by a state, city or local government to raise capital for every-day expenses and special projects such as, roads, sewerage, hospitals, etc., with interest usually exempt from federal tax. Interest payments on municipal bonds bought by a resident of the state issuing the bond are also exempt from local taxes however, capital gains are taxable. Due to the tax-savings available, municipal bonds are often bought by individuals who have large tax obligations. Yields are often lower than corporate or U.S. government bonds with comparable maturities due to the tax advantage, however, they are considered safer than corporate bonds since a municipality is less likely to file bankruptcy than a corporation.

C. **Investment Advisory Services** - Advisory services are tailored to the individual needs of the client by completing a client profile that includes the client's personal information, financial situation and investment objective. The client has the right to impose any limitations in writing, such as transactions only in specific types of securities or requiring notification prior to the exchange or conversion of any securities. In addition, discretionary account clients have the right to request that a specific security be bought or sold without HIA using discretion.

Investments are tailored to the individual needs of the client by interviewing the client and understanding the client's financial situation, personal requirements, goals, and investment experience.

HIA requires a minimum account size of \$100,000 however, this minimum may be waived based upon unique client circumstances or relationships, HIA business development, or other factors.

HIA also provides advisory service to the sponsors of "participant-directed" retirement plans established by the sponsors pursuant to Section 404(c) of ERISA that permits a Plan participant to exercise control over the assets contained in their individual retirement account. HIA provides the Plan sponsors with advice relative to choices of investment alternatives available to Plan participants. These choices may include model portfolios designed and maintained by HIA.

In addition, if requested by the sponsor, HIA shall provide Plan participants with general impersonal informational seminars and/or materials that describe or explain the various investment options available under the Plan. Seminars may include: participant education, enrollment meetings, risk tolerance assessment, investment option selection, model portfolio creation, and recommending and coordinating with outside service providers such as Record Keepers and Third Party Administrators (TPAs). HIA does not receive, nor accept any compensation from outside service providers.

HIA is an authorized provider of Dimensional Fund Advisor (“DFA”) mutual funds and may purchase and hold DFA funds in client portfolios. DFA funds are generally not available through retail investment channels. This restriction may limit a client’s ability to manage these funds should the client subsequently terminate his/her relationship with HIA

### **Financial Planning**

HIA’s financial planning services include, but are not limited to: retirement planning, education, cash flow analysis, estate planning, insurance planning, investment management, and tax planning. Clients who are paying a fee for assets under management are not charged for financial planning services.

Clients who wish to retain HIA for financial planning services only are required to sign HIA’s Financial Planning Agreement.

Financial Planning is a multifaceted process that includes scheduled consultations to discuss the client’s needs and objectives by reviewing and analyzing information provided by the client, summarizing the client’s financial situation, and making specific written recommendations that will address the client’s particular concerns and objectives. Advice is based on the personal and financial information that is obtained from the client.

The financial planning process involves establishing a relationship with clients by gathering their personal and financial data, assessing their risks, ascertaining their goals and investment objectives, analyzing and evaluating their status, and formulating a strategy to implement recommendations. Once a financial plan has been established and implemented, it will be monitored and adjusted as necessary due to changes in the client’s personal information or market conditions.

Financial planning may involve consulting with other professionals, including the client’s attorney, accountant and other specialized investment professionals. All information provided by other professionals is for the exclusive benefit of the client and access to this information must be approved by the client. HIA’s privacy policy is provided to clients prior to, or concurrent with, them becoming a client, and annually thereafter. It is also available on the HIA website indicated on the Cover Page.

If other professional service providers are recommended, HIA will inform the client of the qualifications of the provider and discuss how the services provided will enhance the client’s financial plan. Any actual or potential conflict of interest with the professional will be disclosed to the client.

The client may follow or disregard any or all of the information, recommendations, or advice provided by HIA, and may use any licensed professional of choice to implement the financial plan or otherwise purchase recommended products.

Special note for Washington State clients: Financial planning services are not available to any client who resides in Washington State.

**Client Communications** Clients are provided with regular quarterly reports by mail or a secure online portal. HIA also communicates through periodic newsletters, e-mail, and quarterly client

letters. If clients have any questions or concerns regarding their accounts, they are urged to contact HIA by phone at 414-755-2309.

HIA provides a copy of ADV2A to prospective and new clients, and offers ADV2A to existing clients annually.

D. HIA does not participate in Wrap Fee programs.

E. HIA has both discretionary and non-discretionary accounts. As of December 31, 2019, HIA and its subsidiaries had total assets under management of \$82,041,780.

Total assets managed by HIA were \$53,727,402 of which \$52,642,986 were in discretionary accounts and \$1,084,416 were in non-discretionary accounts.

Total asset managed by HIA's subsidiary, Fund Management Corp. were \$28,314,379 all of which were discretionary accounts.

### **Item 5 - Fees and Compensation**

A. HIA's annual investment advisory fee for assets under management is payable quarterly and in arrears. Fees are calculated by taking the average daily market value of the client's consolidated account(s) for the just-completed quarter and multiplying that value by the tiered fee schedule.

#### **Annualized Advisory Fee Schedule**

<u>Portfolio Size</u>	<u>Annual Fee as % of Portfolio</u>
First \$250,000 (\$0 – \$250,000)	1.25
Next \$2,250,000 (\$250,001 - \$2,500,000)	1.00
Next \$2,500,000 (\$2,500,001 - \$5,000,000)	.75
Above - \$5,000,000	Negotiable
Charitable/Non-profit Organizations	.45

The basic fee schedule is negotiable and may vary based on the scope of the total relationship between HIA and the client. Fees may vary based on factors such as client type, asset class, pre-existing relationship, service levels, portfolio complexity and account size or other special circumstances or requirements. Some existing clients may pay lower fees than newer clients.

The fee for Financial Planning services that do not require on-going investment advisory services is \$150/hour.

**Calculation of Fees** - Fees are charged in arrears on a quarterly basis. Fees are calculated by taking the average daily market value of the client's consolidated account(s) for the just completed quarter and multiplying that value by the tiered fee schedule shown above. Daily market valuations include any cash and cash equivalents that may be in the client's account(s). Fees are calculated and assessed on all accounts that have been opened and allocated into a managed portfolio for at least fifteen (15) calendar days.

Automated daily asset pricing may not be available for clients with assets managed by HIA that are held by an outside plan administrator or custodian other than TD Ameritrade (i.e. 401k, 403b, annuity accounts). Absence of daily pricing inhibits HIA's ability to compute accurate daily account values. When necessary, the end of month security price will be used to estimate the daily security price going forward until the next end of month price is available. This may cause the client to pay an investment advisory fee - either lower or higher - than if daily valuations had been available.

B. The Investment Management Agreement signed by the client grants HIA Limited Power of Attorney authorization to have investment advisory fees paid to HIA from their custodian account(s) on a quarterly basis when such fees are due. When the advisory fee is deducted from a client's account, a notice is sent to the client by the custodian advising the amount of the fee deducted for the prior quarter. A Management Fee statement is sent to the client HIA showing; (a) the amount of fees owed for the quarter; (b) the aggregate value of the assets in the client's account(s) upon which such fee installment has been calculated; and (c) a description of how the fee was calculated and the period for which such fee was calculated. Fees are deducted from client account(s) by the custodian generally within 5 business days following the end of each calendar quarter.

Clients may choose to pay fees directly to HIA or have the fees deducted directly from their custodian account(s). Clients whose fees are withdrawn from a custodian account authorize the custodian to pay HIA the fees due from the client's assets as stated in the Investment Management Agreement. HIA agrees to notify the client in writing, by at least first class mail, the exact amount of the withdrawal based on the above Fee Schedule. The custodian shall notify the Client at least quarterly of the amount that has been paid to HIA.

**The Client, rather than the custodian, shall verify the accuracy of HIA's fee calculation.**

C. The advisory fee, which is based on the value of the total account, may include mutual fund holdings. Since HIA bills its clients an advisory fee based on the value of their total portfolio, which includes mutual fund holdings, clients may pay two levels of advisory fees, one directly to HIA through asset management fees, and indirectly through management fees assessed by the funds making up their portfolio.

In addition to investment advisory fees charged by HIA, clients may be charged brokerage commissions, or other brokerage service fees assessed by their custodian firm.

D. In the event of account termination, investment advisory fees are charged on a prorated basis up to the date of termination. Because fees are charged in arrears, they are not refundable.

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

HIA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client)

## **Item 7 - Types of Clients**

HIA provides fee-only investment advisory services and financial planning services to individuals, trusts, non-profit organizations, corporations, and estates.

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

A. Investment advisory service begins with a thorough understanding of the client's current situation, personal goals, and financial objectives. Information is gathered by means of personal interviews, risk assessment evaluations, and data gathering questionnaires. The data gathering process is collaborative. Clients are asked to thoroughly and candidly discuss or provide information on topics such as; their personal status, investment holdings, personal/family financial needs and goals, and their investment knowledge and experience. This in-depth information gathering process enables HIA to provide well-informed advice to clients. It also helps determine which services or investment style is appropriate for the client.

Once the client's investment objectives and investment risk tolerance are identified, a model portfolio is recommended to clients to assist them in achieving their investment objectives. The model portfolio may contain a mix of equity and debt securities with a view toward achieving a particular rate of return in relation to an identified risk parameter.

**All investments entail some level of risk, the major sources of which are; market risk, interest rate risk, and inflation risk. While an attempt is made to minimize these risks through prudent investment strategies and portfolio design and construction, the risk of loss to the client is still present and real.**

**No claims can be made, nor any guarantees offered for protection of clients against potential or actual loss. Clients are encouraged to discuss their evolving risk tolerance with HIA at any time.**

B. HIA's investment management philosophy is based on the concept of **Functional Investing™** which rationalizes investments into three main categories or functions:

- 1) Growth,
- 2) Risk Reduction, and
- 3) Inflation Protection (**GRIP™**).

Each **GRIP™** category incorporates investments which are consistent with that objective. For example, the Growth component primarily contains equity securities, Risk Reduction contains fixed income securities / alternative investments, and Inflation Protection may include commodities, real estate and inflation protected fixed income securities.

The combination of the three **GRIP™** components establishes the character and behavior of the constituent portfolio. HIA believes each of the **GRIP™** components should have some representation in a portfolio. The proportions of each **GRIP™** component depends upon the client's risk aversion, return expectations, and other unique factors.

Several other time-tested fundamental investment principles round out HIA's investment philosophy. First, HIA believes in the general efficiency of the markets, but recognizes that they do not always behave rationally; Second, that there is a relationship between the rate of return that can be achieved and the amount of risk undertaken; and Third, that diversification among and within asset classes in order to manage risk is prudent.

HIA's model portfolios are created and managed using the current body of knowledge amassed from 50 years of academic investment and financial research and analysis, including the well-known "Modern Portfolio Theory" ("MPT"). According to MPT, a relationship exists between an asset class' risk and its expected return. Successful investing means not only capturing risks that generate expected return but reducing risks that do not. Avoidable risks include holding too few securities, betting on countries or industries, following market predictions, and speculating on "information" from news shows, rating services, or internet investment tips. To all these, diversification is considered the antidote in that it washes away the random fortunes of individual stocks and positions in a portfolio to capture the returns of broad economic forces.

In addition to established and new academic literature and studies, HIA utilizes fundamental analysis, investment periodicals, Morningstar, the internet and other sources of information to help us evaluate, refine and implement investment strategy and portfolio design.

Model portfolios' potential risk and expected return vary according to the weighting of the various **GRIP™** components in each portfolio with a bias in favor of small capitalization equities and value-oriented equities. In general, the greater the proportion of stocks a portfolio holds, especially small cap and value stocks, the more "aggressive" is its risk and the greater is its expected return.

Traditional active managers strive to beat the market by taking advantage of pricing "mistakes" and by attempting to predict the future. Too often, this proves costly and futile. HIA helps clients succeed at investing, not speculating. HIA's passive management style thoroughly rejects the notion that additional return can be earned by predicting, or timing the markets. Passive management reduces the chance of making a wrong prediction. Passive management relies upon the long term efficiency of the markets to provide the expected return of the portfolio. As such, HIA will not be an "active" portfolio manager, but will instead focus on designing and maintaining the optimal asset allocation consistent with the client's objectives and risk tolerance.

As a risk management technique, HIA may employ Hedging Strategies on a case by case basis. Because Hedging Strategies involve the use of stock options, only client accounts that have properly authorized option trading are eligible. Hedging Strategies may include selling "covered calls" or creating "option collars" and will be used for hedging purposes only, and not speculation. Hedging strategies will be used only for clients who have provided full consent by signing the Investment Management Agreement.

HIA attempts to minimize both direct and indirect portfolio costs and improve internal and external portfolio tax efficiency. Because passive management tends to require fewer securities transactions over time, clients' commission expenses are lessened along with the likelihood that capital gains will be realized (with their potential tax consequences). Transactions will typically be performed when necessary to rebalance portfolios, allocate new investment dollars, make client requested redemptions, or alter a portfolio due to changing client investment objectives.

C. Mutual funds from a variety of investment companies, including mutual funds from the Dimensional Fund Advisor ("DFA") family of funds are used in constructing client portfolios.

DFA funds are generally unavailable to investors either through direct purchase, normal mutual fund retail channels, or other financial intermediaries. DFA funds are generally available only to institutional investors and clients of select registered investment advisors. HIA is very fortunate to be approved by DFA to invest in their funds on behalf of its clients.

Due to DFA's restricted distribution channel, clients who terminate their relationship with HIA and transfer their account(s) to another investment advisor and/or custodian, are encouraged to first discuss any possible limitations regarding the holding of their DFA investments with the successor custodian or new investment advisor. Clients who terminate their relationship with HIA and transfer their DFA assets may find their ability to hold, or purchase additional shares of DFA funds restricted or prohibited.

If the successor custodian chosen by the transferring client cannot hold DFA fund(s), the client must identify an alternate custodian to accept and hold the client's DFA fund(s). If no such arrangements are made, HIA may liquidate all DFA funds in the client account(s) and have the account custodian send the sales proceeds to the designated receiving broker-dealer, custodian or client. The liquidation transactions will result in the client paying transaction costs and may give rise to recognition of taxable capital gains or losses.

### **Item 9 - Disciplinary Information**

A. Neither HIA nor any of its employees are currently, or have ever been, subject to a criminal or civil action in a domestic, foreign or military court of competent jurisdiction; nor have they, 1. ever been convicted of, or pled guilty or *nolo contendere* ("no contest") to (a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses; 2. ever been named the subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses; 3. ever been *found* to have been *involved* in a violation of an *investment-related* statute or regulation; or 4. ever been the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a *management person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or *order*

B. Neither HIA nor any of its employees are currently, or have ever been, subject to an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority, nor have they 1. been *found* to have caused an *investment-related* business to lose its authorization to do business; or 2. been *found* to have been *involved* in a violation of an *investment-related* statute or regulation or been the subject of an *order* by the agency or authority (a) denying, suspending, or revoking the authorization of your firm or a *management person* to act in an *investment-related* business; (b) barring or suspending your firm's or a *management person's* association with an *investment-related* business; (c) otherwise significantly limiting your firm's or a *management person's* *investment related* activities; or (d) imposing a civil money penalty of more than \$2,500 on your firm or a *management person*.

C. Neither HIA nor any of its employees are currently, or have ever been, subject to a self-regulatory organization proceeding nor were they 1. *found* to have caused an *investment-related* business to lose its authorization to do business; or 2. *found* to have been *involved* in a violation of the *SRO's* rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from *investment-related* activities; or (iii) fined more than \$2,500.

### **Item 10 - Other Financial Industry Activities and Affiliations**

A. Neither HIA nor any of its employees are registered, or have an application pending to register, as a broker/dealer or registered representative of a broker/dealer.

B. Neither HIA nor any of its employees are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, or commodity trading advisor, or an associated person of these entities.

C. Neither HIA nor any of its employees has any relationships or arrangements with any entity that are material to its advisory business or to its clients.

D. Neither HIA nor any of its employees recommends or selects other investment advisers for its clients.

E. On November 18, 2014, HIA purchased FMC – a Mequon, Wisconsin based, registered investment advisor firm with approximately \$25.5 million in assets. FMC is a wholly owned subsidiary of HIA and operates as an independent RIA affiliate. No sub-advisory agreement or advisory relationship exists between HIA and FMC. Investment advisor representatives (“IAR”) of HIA are also registered as IARs of FMC.

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

**Code of Ethics** - HIA has a legal fiduciary duty to its clients and endeavors at all times to put the interests of its clients first.

A. HIA’s Code of Ethics is applicable to all employees who either participate in the formulation or delivery of investment advisory services to clients or otherwise have access to confidential client records or to recommendations being made for client accounts (“access persons”). The Code of Ethics sets forth procedures intended to prevent conflicts of interest between clients and our access persons, and is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 and rules of individual jurisdictions. This Code establishes rules of conduct for all of our access persons and is designed among other things to govern personal securities trading activities in the account of access persons. The Code is based upon the principle that HIA owes a fiduciary duty to its clients. This requires that all access persons conduct the affairs of HIA, including personal securities transactions, in such a manner as to avoid (1) serving personal interests ahead of clients, (2) taking inappropriate advantage of positions within the firm, and (3) any actual or potential conflicts of interest or abuse of positions of trust and responsibility.

B. Neither HIA nor any of its employees recommends to clients, or buys or sells for client accounts, securities in which HIA or any of its employees has a material financial interest.

C. HIA or its employees may buy or sell for themselves, securities that are also recommended to clients. HIA believes that such transactions do not have a significant impact on market prices of the securities or client opportunities in those securities. HIA employees are prohibited from purchasing or selling for themselves the same securities (with the exception of mutual funds, or exchanged traded funds) purchased or sold for clients' accounts within two business days of such client purchase or sale.

D. If transactions by HIA or any of its employees are likely to have a significant impact on market prices, no transactions will be made by HIA or its employees until the client's transactions have been entered. If the position in a security held by HIA or its employees is significant, the client will be informed of these positions.

HIA maintains a list of all securities purchased for itself or its employees, and all securities transactions are reviewed on a regular basis by Kenneth Karr, President.

A copy of our Code of Ethics is available upon request.

## **Item 12 - Brokerage Practices**

**A. Brokerage Discretion** - HIA has no discretion to select broker-dealers for clients, but typically recommends that clients establish brokerage accounts with TD Ameritrade Institutional Services ("TDA"), a division of TD Ameritrade Investor Services, Inc., a registered broker-dealer and member of FINRA and SIPC. This recommendation is made because of TD Ameritrade's size, reputation, services, and competitive commission rates. However, clients may be able to receive better trade execution, similar services, or higher or lower costs at other brokerage providers.

Clients are encouraged to review the fees charged by broker/dealers, funds, and other such third parties, as well as HIA's investment advisory fees, to fully understand the amount of fees paid and the services performed. Because these expenses all work to reduce the client's net investment return, HIA seeks to minimize them when possible, consistent with the client's overall investment strategy.

If the client directs HIA, in writing, to place orders with a specific broker/dealer, the client understands and acknowledges that HIA will not: (i) negotiate commissions on the client's behalf and that as a result, the client may pay materially different commissions which may be more than those paid by other clients; (ii) negotiate volume discounts on "batched" orders (i.e., orders for the purchase or sale of the same security for more than one account of HIA) executed through such broker/dealer, and (iii) the client may pay a different commission than other clients of HIA who may participate in "batched" orders. For these reasons, HIA may not obtain best execution in certain transactions in the client's account at the broker/dealer of the client's choice.

When referring a client to a broker/dealer, HIA will ensure that the broker/dealer is registered in the client's state of residence.

**Block Trading and Trade Aggregation** - HIA may, from time to time, engage in “block” trading, which occurs when a trade is placed for the benefit of more than one client at a time. If such an order is filled, the commission on the trade will be distributed on a pro-rata basis among each client for whom the securities were purchased or sold. HIA believes that block trades and average pricing results in a more efficient execution at equitable final prices for all accounts than if the trades had been done individually.

**Broker/Dealer Research and Soft Dollar** - HIA may, from time to time, receive research products and services from broker-dealers, including TDA if they continue to execute securities transactions and/or have custody of HIA client’s funds and/or securities. These services or products may include economic surveys, data, and analyses; financial publications; regulatory updates; software training; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and access to data bases) that provide lawful and appropriate assistance to HIA in the performance of its investment decision-making responsibilities. Brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit HIA to effect securities transactions and perform functions incidental to transaction execution. HIA generally uses such products and services to conduct its investment advisory business for all clients.

### **Item 13 - Review of Accounts**

A. Kenneth Karr, President of HIA, and Adam Drake, Chief Investment Officer, are responsible for the regular review of client's account(s). While the accounts are monitored on a daily basis and reviewed quarterly, a more thorough formal review is conducted at least annually. Internal reviews analyze portfolio’s holdings, asset allocation, and status of any automatic transactions.

B. Factors that may trigger a change in a client’s portfolio include, but are not limited to; changing fundamentals (e.g. style drift, expenses) of securities held in the portfolio, changes to the composition of the underlying model portfolio, and the evolving needs and objectives of the client. The client's written Investment Policy Statement, part of the Investment Management Agreement, specifies the client's target asset allocation and any special circumstances or considerations related to the account.

C. HIA strives to meet with clients at least annually or otherwise at intervals requested by the client, or as circumstances or developments warrant. In addition, clients receive quarterly written account reviews.

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

A. HIA presently has an arrangement with **Calton & Associates, Inc.**, an SEC Registered Investment Advisor (“RIA”) located in Florida, in which the RIA refer clients to HIA. HIA verifies that the referring RIA firm and their Investment Advisor Representative’s (“IAR”) are properly registered by reviewing IARD/CRD data. In this referral arrangement, the client’s Advisory Fee is the same as noted in **Item 5 – Fees**. HIA and the referring RIA firm share the fee, and no additional fees are paid by the client.

Such referral arrangements can create a conflict of interest in that both HIA and RIA have an interest in obtaining and securing the investment management relationship.

B. HIA does not directly or indirectly compensate any entity for client referrals to outside professional service providers.

### **Item 15 - Custody**

Under no circumstances will HIA have custody of Client funds or securities. All client funds and securities are held by a broker/dealer or qualified custodian who provides clients with a statement of their account at least quarterly. Clients are urged to compare and reconcile their account statements with the information received from HIA.

### **Item 16 - Investment Discretion**

In discretionary accounts, the purchase, sale, exchange, or conversion of any stocks, bonds, options, mutual funds and other securities may be done without prior consultation with the client under the Agreement signed by the client granting HIA Limited Power of Attorney to effect these trades. The client has the right to impose any limitations in writing, such as transactions only in specific types of securities or requiring notification prior to the exchange or conversion of any securities.

### **Item 17 - Voting Client Securities**

A. HIA does not, and will not, accept authority vote securities on behalf of advisory clients.

B. HIA does not have authority to vote client securities.

Clients are responsible for receiving and voting proxies for any and all securities maintained in their accounts.

### **Item 18 - Financial Information**

A. HIA does not solicit prepayment of more than \$500 in fees per client, six months or more in advance, and therefore, under Wisconsin law, is not required to submit a financial statement audited by an independent public accountant.

B. HIA has limited discretionary authority over client funds or securities however HIA does not solicit prepayment of more than \$500 in fees per client, six months or more in advance. The client has given HIA authority to have the advisory fee deducted from the client's account, and

HIA notifies the client and custodian of the amount of the fee to be deducted from the client's account. The client receives a statement directly from the custodian at least quarterly.

Since HIA does not have custody of client funds and securities, HIA is not required to submit a financial statement audited by an independent public accountant. However, certain states require an annual unaudited balance sheet whose accuracy has been attested to by a principal of the Firm.

C. HIA has not been the subject of a bankruptcy petition at any time during the past ten years or at any time prior to that.

## **Item 19 - Requirements for State Registered Advisors**

**A.**

### **Kenneth E. Karr, MBA, CFP®**

Kenneth E Karr, born September 11, 1958, graduated from Ferris State University, Big Rapids, Michigan, with a Bachelor of Science Degree in Criminal Justice in 1980. He also attended the University of Texas – Arlington and earned a Master of Business Administration Degree (MBA) in Finance in 1993. Mr. Karr was awarded the Certified Financial Planner (CFP®) designation in January 2004.

Mr. Karr has also passed a number of securities law examinations, including the Series 7, General Securities Examination; Series 63, Securities Agent State Law Examination; and the Series 65, Investment Adviser State Law Examination.

Mr. Karr has been practicing investment management since 1996 when he joined Strong Investments as an investment representative. Mr. Karr worked at Strong from 1996 to 2003. In April 2004, he joined McSherryAssociates as an investment advisor representative until August 2006. Mr. Karr formed Highland Investment Advisors, LLC in September, 2006 and serves as President and Chief Compliance Officer. Prior to his career in investments, Mr. Karr served with the Arlington Police Department in Texas for fifteen years.

### **Adam S. Drake, CFA**

Adam S. Drake, CFA, born May 29, 1976, joined Highland Investment Advisors, LLC (HIA) as a partner in January 2009. Mr. Drake is involved in a diverse array of activities within the firm, including investments, operations, business development, and strategy. He has been in the financial services industry since 1998.

Before joining HIA, Mr. Drake worked as an investment analyst at Vogel Consulting LLC, a multi-family office firm serving a niche market of ultra affluent individuals. Prior to this, he was a portfolio manager at a registered investment advisory firm in Lake Geneva, Wisconsin. Before this, he worked as an Equity Research Analyst for Robert W. Baird & Co. in Milwaukee, Wisconsin.

Mr. Drake has passed the Series 65 Investment Advisor State Law Examination and holds the Chartered Financial Analyst (CFA) designation. He is also a member of the CFA Institute. He has

previously served as a member of the Finance Committee of the UWM Alumni Association, and as a volunteer instructor with Make a Difference Wisconsin, a youth financial literacy organization. He graduated Cum Laude from the University of Wisconsin - Milwaukee with a Bachelor of Business Administration Degree in Finance in 2000.

B. Neither Mr. Karr or Mr. Drake are actively engaged in any other business other than Highland Investment Advisors, LLC.

C. Neither Highland Investment Advisors, LLC or any of its supervised person(s) are compensated with Performance-based fees.

D.1. (a) On 6/13/2005, Mr. Karr was formally notified of being party to a customer complaint by a former client of Strong Investments Inc., NASD case number 04-08450. The claimant alleged he lost money during the 2000-2003 market downturn and that Strong Investments Inc. contributed to his losses by investing in unsuitable investments based upon his risk tolerance. The case was settled 05/02/2006 when Strong Investments Inc. paid the claimant \$24,000. Mr. Karr was not liable for the claimant's losses, and made no individual contributions to the settlement amount.

E. Neither Highland Investment Advisors, LLC or any of its management persons has any relationship or arrangement with any issuer of securities.

# Form ADV Part 2B

## Brochure Supplement

December 31, 2019

### Item 1

**Main office:** 1025 W Glen Oaks Ln, Suite 108  
Mequon, WI 53092

**Florida office:** 466 Town Plaza Ave Suite 330  
Ponte Vedra, FL 32081

(414) 755-2309

(414) 755-2313 fax

(877) 755.2309 toll free

[info@highlandinvestmentadvisors.com](mailto:info@highlandinvestmentadvisors.com)

#### Website:

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

IARD/CRD #141694

This brochure supplement provides information about Adam Drake, David Morrison, Beverly Whitman, and Kenneth Karr that supplements the Highland Investment Advisors, LLC brochure. You should have received a copy of that brochure. Please contact Kenneth Karr, Chief Compliance Officer if you did not receive Highland Investment Advisors, LLC brochure or if you have any questions about the contents of this supplement.

Additional information about Adam Drake, David Morrison, Beverly Whitman, and Kenneth Karr is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

We require our investment advisor representatives or others who provide investment advice to clients have: a college or university degree (or equivalent professional work experience); or have, or are working toward, a professional designation such as CFA, MBA, CFP® or CPA; or sufficient experience in the finance or securities industry to provide advice independently to clients.

## **Item 2 Educational Background and Business Experience**

### **Kenneth E. Karr, MBA, CFP®**

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Wisconsin - Milwaukee with a Bachelor of Business Administration Degree in Finance in 2000.

**William David Morrison**  
**Investment Advisor Representative**

Mr. Morrison, born June 12, 1960, is an Investment Advisor Representative at Highland Investment Advisors, LLC. Mr. Morrison works with clients to develop prudent strategies to achieve their personal financial targets. Since 2009, Mr. Morrison has worked as a Private Portfolio Manager for a high net worth family office. Prior to that, Mr. Morrison was President and co-owner of a wholesale company in St. Louis, and a Sales Representative for Pulsar, a division of Seiko USA. He also worked in the buying offices of a major department store chain. His strong commitment to results oriented investing and the fiduciary standard brought him to Highland Investment Advisors in April 2013.

Mr. Morrison holds the Series 65 Investment Adviser State Law Examination, and attended the University of Missouri - Columbia. He enjoys long walks with his wife and their dog, and spends most of his spare time reading the financial news.

**Beverly Whitman, CPA CFP**  
**Investment Advisor Representative**

Beverly Whitman, born November 21, 1967 is an Investment Advisor Representative at Highland Investment Advisors, LLC. Ms. Whitman graduated with a Bachelor of Arts degree in accounting from NC State University and holds a Master of Business Administration degree from the University of Richmond. She is the owner of Beverly Whitman CPA, an accounting firm in Ponte Vedra, FL. Before joining Highland Investment Advisors, Ms. Whitman worked for other investment companies providing investment advice, financial planning and accounting services and has over twenty years of experience in the finance and accounting fields. She holds both the Certified Public Accountant – CPA and Certified Financial Planner™ – CFP® professional designations. Ms. Whitman has also passed the Series 6, Investment Company and Variable Contracts Products Representative Qualification Examination.

**Professional Designations**

**Certified Financial Planner™ – CFP®**

The CFP® designation identifies individuals who have completed the mandatory examination, education, experience, and ethics requirements mandated by the Certified Financial Planner Board of Standards, Inc. (“CFP Board”). Candidates must have at least three years of qualifying work experience that relates to financial planning. Candidates are required to hold a bachelors degree from an accredited university. CFP® candidates must

pass an examination that covers over 100 financial planning topics, which broadly include: general principles of financial planning, insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning. Finally, candidates have ongoing ethics requirements and oversight by the CFP Board and are required to complete at least 30 hours of continuing education every two years including 2 hours on the Code of Ethics or Standards of Professional Conduct.

#### Chartered Financial Analyst – CFA

The Chartered Financial Analyst - CFA designation is an international professional certificate that is offered by the CFA Institute. Candidates that pursue the certification have in-depth knowledge of securities types and investment vehicles. In order to qualify for a CFA charter, candidates must meet standards for examination, education, experience, and ethics. First, candidates must possess a bachelor's degree from an accredited school, or its equivalent. Second, candidates must have completed 48 months of qualified professional work experience, generally related to evaluating or applying financial, economic, and/or statistical data as part of the investment decision-making process involving securities or similar investment. Third, candidates must pass a series of three six-hour exams that covers ethics, quantitative methods, economics, corporate finance, financial reporting and analysis, security analysis, and portfolio management. Finally, candidates must join the CFA Institute and meet and continue to adhere to a strict Code of Ethics and Standards governing their professional conduct, as reviewed by the CFA Institute.

#### Masters of Business Administration – Finance, “MBA”

The MBA degree is awarded by the University of Texas at Arlington (an AACSB accredited university) to those individuals who have successfully completed 45 hours of advanced curriculum focusing on general business management. The specialized MBA – Finance degree requires at least 9-18 hours of graduate level coursework in areas such as; corporate finance, investments, portfolio and security, or international finance. There is no maintenance requirement associated with the MBA – Finance degree such as continuing education or Code of Ethics.

#### Certified Public Accountant – CPA

The CPA is a license to provide accounting services to the public. It is awarded by each of the 50 states for practice in that state. The minimum standard requirements include passing the Uniform Certified Public Accountant Examination, 150 semester units of college education, and one year of accounting related experience. Continuing professional education (CPE) is also required to maintain licensure.

## Series 65 Securities License

Series 65 is a securities license required by most U.S. states for individuals who act as investment advisors. The Series 65 exam, called the Uniform Investment Adviser Law Examination, covers laws, regulations, ethics and topics such as retirement planning, portfolio management strategies and fiduciary responsibilities. Successful completion of the Series 65 exam qualifies an investment professional to function as an Investment Adviser Representative in certain states.

### **Item 3            Disciplinary Information**

No reportable disciplinary actions.

### **Item 4            Other Business Activities**

Beverly Whitman, CPA provides tax preparation, tax planning and book keeping services through her company Beverly Whitman CPA, a corporation based in Ponte Vedra, Florida.

### **Item 5            Additional Compensation**

Neither Highland Investment Advisors, LLC or any supervised person receives an economic benefit from any non-client source for providing advisory services.

### **Item 6            Supervision**

Mr. Karr, Chief Compliance Office, is responsible for the supervision of investment advisor representatives of Highland Investment Advisors, LLC. Supervision is achieved by; process checklists, documentation reviews, investment allocation reviews, phone calls, video conferences and direct meetings. Mr. Karr can be contacted at (414) 755-2309.

### **Item 7            Requirements for State-Registered Advisers**

D.1. (a) On 6/13/2005, Mr. Karr was formally notified of being party to a customer complaint by a former client of Strong Investments Inc., NASD case number 04-08450. The claimant alleged he lost money during the 2000-2003 market downturn and that Strong Investments Inc. contributed to his losses by investing in unsuitable investments based upon his risk tolerance. The case was settled 05/02/2006 when Strong Investments Inc. paid the claimant \$24,000. Mr. Karr was not liable for the claimant's losses, and made no individual contributions to the settlement amount.

