

# Hillegas Advisory Services, Inc.

CRD# 125275

## Brochure

**Dated: March 24, 2021**

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This brochure provides information about the qualifications and business practices of Hillegas Advisory Services, Inc. (“HAS”). If you have any questions about the contents of this brochure, please contact us at (858) 756-6111 or [craig.hillegas@haswealth.com](mailto:craig.hillegas@haswealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hillegas Advisory Services, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Hillegas Advisory Services, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

**Item 2           Material Changes**

There have been no further material changes made to this disclosure statement since our last ADV Annual Amendment filing, made on March 25, 2020.

**HAS' Chief Compliance Officer, Craig Hillegas, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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## Item 4 Advisory Business

- A. Hillegas Advisory Services, Inc. (“HAS”) was founded 1993 as a sole proprietorship and was subsequently incorporated in December 2008 in the state of California. HAS registered as an Investment Adviser Firm in 1993. HAS is principally owned by Craig Hillegas, MSBA, CFP®. Mr. Hillegas is also HAS’s Founder & President.
- B. As discussed below, HAS offers to its clients (individuals, business entities, trusts, estates, and pension and profit sharing plans, etc.) Investment Management/Advisory Services, and, to the extent specifically requested by a client, Wealth Design, Planning and Consulting Services. HAS offers the following Investment Management Services:

**1. Investment Management – Core Plus More Services** This offering may be provided to those clients with at least \$5,000,000 of assets placed under HAS’s management. This service offering includes the following:

- ❖ Ongoing Investment Management (portfolio supervision, investing new monies, handling distribution needs, implementing portfolio adjustments).
- ❖ Risk Profiling Services (with updates as requested)
- ❖ Investment Strategy Updates
- ❖ Ongoing HAS communications - portfolio reports, newsletters, eUpdates
- ❖ Access to specialized institutional fund managers
- ❖ Tax planning services may include
  - Tax savings opportunities
  - Tax-advantaged investment strategies
  - Tax-advantaged retirement income

For additional information on fees for Investment Management – Core Plus More proceed to Item 5 in this document.

HAS, in its sole discretion, may elect to waive the standard \$5,000,000 minimum and offer Core Investment Management Services.

**2. Investment Management – Core Services**

Core Investment Management Services include the following:

- ❖ Ongoing Investment Management (investing new monies, adjusting portfolio for distributions, portfolio adjustments).
- ❖ Risk Profiling Service offering (with updates as requested)
- ❖ Investment Strategy Updates
- ❖ Ongoing HAS communications - portfolio reports, newsletters, eUpdates

Investment Management Services will be provided at a quarterly rate of 0.25% of assets under management. See Item 5 for fee details including incremental savings for larger accounts.

### **3. Wealth Design, Planning and Consulting Services (Provided on a Stand-Alone basis)**

To the extent specifically requested by a client, HAS may be engaged to provide wealth design, financial planning and/or consulting services (including investment and non-investment related matters, including retirement planning, estate-related consultations, tax planning, cash flow management, financial statements, etc.) on a stand-alone, separate fee basis. HAS's planning and consulting fee will vary depending upon the scope of requested services and the complexity of one's personal, family, business, investment and estate affairs. Special project or one-time services will be billed on a monthly basis, beginning on the first day of the month following the date Client executes their agreement. For ongoing consulting services, Client will be (billed quarterly, in advance) in return for services rendered.

Prior to engaging HAS to provide planning or consulting services, clients are generally required to enter into a *Wealth Design, Financial Planning and Consulting Agreement* with HAS setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HAS commencing services.

If requested by the client, HAS may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HAS.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not HAS, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify HAS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising HAS's previous recommendations and/or services.

### **Miscellaneous**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, HAS may provide financial planning and related consulting services. Neither HAS nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. HAS does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with HAS, if desired.

HAS may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. HAS does not serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal advice, accounting, or insurance brokerage services. Accordingly, HAS does not prepare estate planning documents, tax returns, engage in tax planning or sell insurance products. To the extent requested by a client, HAS may

recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by HAS or its representatives.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not HAS, shall be responsible for the quality and competency of the services provided. Moreover, HAS recommends that all clients engage the services of an unaffiliated tax professional for guidance with regards to tax planning issues.

**Private Investment Funds.** HAS may provide investment advice regarding unaffiliated private investment funds. HAS's role relative to the private investment funds shall be limited to its initial due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of HAS calculating its investment advisory fee. HAS's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Valuation. In the event that HAS references private investment funds owned by the client on any supplemental account reports prepared by HAS, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. The current value of any private investment fund could be significantly more or less than the original purchase price or the price reflected in any supplemental account report.

**Retirement Rollovers-Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If HAS recommends that a client roll over their retirement plan assets into an account to be managed by HAS, such a recommendation creates a conflict of interest if HAS will earn new (or increase its current) compensation as a result of the rollover. No client is under any obligation to roll over plan assets to an IRA managed by HAS or to engage HAS to monitor and/or manage the account while maintained at the client's employer.

**Non-Discretionary Service Limitations.** Clients that determine to engage HAS on a non-discretionary investment advisory basis must be willing to accept that HAS cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Therefore, in the event that HAS would like to make a transaction for a client's account (including an individual holding or in the event of general market correction), and the client is unavailable, HAS will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Use of Mutual and Exchange Traded Funds.** Most mutual funds and exchange traded funds are available directly to the public. Therefore, a prospective client can obtain many of the funds that may be utilized by HAS independent of engaging HAS as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the HAS's initial and ongoing investment advisory services.

**Use of DFA Mutual Funds.** HAS utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers. Therefore, if the client was to terminate HAS's services, and not transition to another adviser who utilizes DFA funds, restrictions regarding additional purchases of, or reallocation among other, DFA funds will generally apply.

**Inverse/Enhanced Market Strategies.** HAS may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct HAS, in writing, not to employ any or all such strategies for their accounts.

**Interval Funds.** When consistent with a client's investment objectives, HAS may allocate investment assets to "interval funds." Investment companies structured as "interval funds" are generally designed for long-term investors that do not require daily liquidity. Shares in interval funds typically do not trade on the secondary market. Instead, their shares are subject to periodic redemption offers by the fund at a price based on net asset value. Accordingly, interval funds are subject to liquidity constraints.

Interval funds investing in securities of companies with smaller market capitalizations, derivatives, or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Generally, the interval funds recommended by HAS offer a two to three week period, on a quarterly basis, during which the client may seek the redemption of previously purchased interval funds.

**Portfolio Activity.** HAS has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, HAS will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time

when HAS determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**eMoney Advisor Platform.** HAS may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that HAS does not manage (the "Excluded Assets"). HAS does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, HAS shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not HAS, shall be exclusively responsible for such investment performance. The client may choose to engage HAS to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between HAS and the client. The eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by HAS. Finally, HAS shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without HAS's assistance or oversight

**Cash Positions.** HAS may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all cash and cash equivalent positions will be included as part of assets under management for purposes of calculating HAS's investment advisory fee.

**Client Obligations.** In performing its services, HAS shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify HAS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising HAS's previous recommendations and/or services.

**Disclosure Statement.** A copy of HAS's written Brochure and Client Relationship Summary, as set forth on Part 2 of Form ADV and Form CRS respectively, shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Wealth Design, Financial Planning and Consulting Agreement*.

- C. HAS shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, HAS shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on HAS's services.
- D. HAS does not participate in a wrap fee program.
- E. As of December 31, 2020, HAS had \$112,740,252 in assets under management on a discretionary basis and \$16,831,317 on a non-discretionary basis.

**Item 5 Fees and Compensation**

A.

**1. Investment Management – Core Plus More**

These services may be provided to prospective clients. These services will be provided at a quarterly rate of 0.25% payable in arrears on a quarterly basis. HAS provides incremental savings with fee reductions according to this schedule:

<b>Quarterly Rate</b>	<b>Market Value of Portfolio</b>
0.25%	up to \$2,000,000
0.20%	over \$2,000,000 and up to \$5,000,000
0.15%	over \$5,000,000 and up to \$10,000,000
0.10%	Amount over \$10,000,000

HAS’s investment advisory fee is negotiable at HAS’s discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with HAS and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by HAS to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

**2. Investment Management – Core Services**

These services may be provided to prospective clients. These services will be provided at a quarterly rate of 0.25% payable in arrears on a quarterly basis. HAS provides incremental savings with fee reductions according to this schedule:

<b>Quarterly Rate</b>	<b>Market Value of Portfolio</b>
0.25%	up to \$1,000,000
0.20%	over \$1,000,000

HAS’s investment advisory fee is negotiable at HAS’s discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with HAS and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by HAS to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

The following service may be offered to prospective clients:

**3. Wealth Design, Planning and Consulting Services (Provided on a Stand-Alone basis)**

To the extent specifically requested by a client, HAS may be engaged to provide wealth design, financial planning and/or consulting services (including investment and non-investment related matters, including retirement planning, estate-related consultations, tax planning, cash flow management, financial statement, insurance planning, charitable planning etc.) on a stand-alone fee basis. Fees are negotiable. Lower fees for comparable services may be available from other sources.

HAS's planning and consulting fee will vary depending upon the scope of requested services and the complexity of one's personal, family, business, investment and estate affairs. Prior to engaging HAS to provide planning or consulting services, clients are generally required to enter into a *Wealth Design, Financial Planning and Consulting Agreement*, in which HAS sets forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HAS commencing services. Also, the Agreement will specify whether billing will occur on a monthly or quarterly basis. Special project or one-time services will typically be billed on a monthly basis in arrears, except for any initial deposit which will be credited toward the first invoice. For ongoing consulting services and engagements, Client will be (billed quarterly, in advance) in return for services rendered.

HAS may offer service based on a percentage of assets (usually for an investment-related project) or offer service on an hourly basis from \$295 to \$495, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have HAS's advisory fees deducted from their custodial account. Both HAS's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of HAS's investment advisory fee and to directly remit that management fee to HAS in compliance with regulatory procedures.

HAS shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. To the extent there are inflows our outflows in excess of \$2,000 during the billing period, HAS shall either debit or credit the client's account, on a prorated basis to account for these changes.

In the limited event that HAS bills the client directly, payment is due upon receipt of HAS's invoice.

HAS may offer billing on a semi-annual basis in arrears; in general, this arrangement may apply to smaller accounts or grandfathered clients who continue with a semi-annual billing and reporting schedule.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, HAS shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*"), *TIAA*, *American Funds* ("*AF*"), and/or *Equity Institutional* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers/custodians such as *Schwab*, *AF* and/or *Equity Institutional* may charge brokerage commissions and/or transaction fees for effecting certain securities transactions. In

addition to HAS's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. The *Investment Advisory Agreement* between HAS and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*.

Upon termination, a pro-rated portion of the unearned but paid advisory fee shall be returned to the client. In the event fees are paid in arrears (e.g. due to a historical agreement and fee arrangement), upon termination a pro-rated portion of the earned but unpaid advisory fee shall be due.

- E. Neither HAS, nor do its representatives accept compensation from the sale of securities or other investment products.

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

Neither HAS nor any supervised person of HAS accepts performance-based fees.

## **Item 7 Types of Clients**

HAS's clients shall generally include individuals, business entities, trusts, estates, pension and profit sharing plans, etc. As discussed above, HAS, in its sole discretion, may charge a lesser investment management fee based upon certain criteria.

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

- A. HAS may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices with the intention of purchasing at reduced or discounted prices, especially when purchasing closed-end funds which may trade at a discount relative to the investments' NAV or Net Asset Value)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

HAS may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Investment Risk**. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HAS) will be profitable or equal any specific performance level(s).

Investors generally face the following types of investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

B. HAS's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis HAS must have access to current/new market information. HAS has no control over the dissemination rate of market information; therefore, unbeknownst to HAS, certain analyses may be compiled with outdated market information, severely limiting the value of HAS's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

HAS's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

HAS does not generally recommend the use of margin loans or securities based loans (collectively, "SBLs") as an investment strategy, in which the client would leverage

borrowed assets as collateral for the purchase of additional securities. However, HAS may recommend that a client establish a margin account with the client's broker-dealer/custodian or their affiliated banks (each, an "SBL Lender") to access SBLs for financial planning and cash flow management purposes. For example, HAS may deem it advisable for a client to borrow money on margin to pay bills or other expenses such as financing the purchase, construction, or maintenance of a real estate project. Unlike a traditional real estate-backed loan, an SBL has the potential benefit of: enabling borrowers to access to funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor.

The terms and conditions of each SBL are contained in a separate agreement between the client and the SBL Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the SBL if the SBL Lender determines that the value of collateralized securities is no longer sufficient to support the value of the SBL; the risk that the SBL Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the SBL Lender may terminate the SBL at any time. Before agreeing to participate in an SBL program, clients should carefully review the applicable SBL agreement and all risk disclosures provided by the SBL Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing "margin calls" and liquidating securities and other assets in the client's accounts.

- C. Currently, HAS primarily allocates client investment assets among various, mutual funds and/or exchange traded funds ("ETFs") (and to a significantly lesser extent, amongst various individual equity (stocks), and/or fixed income securities), on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

HAS has not been the subject of any disciplinary actions.

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

- A. Neither HAS, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither HAS, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. HAS does not have a relationship or arrangement with a related person that is material to its advisory business.

- D. HAS does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. HAS maintains an investment policy relative to personal securities transactions. This investment policy is part of HAS's overall Code of Ethics, which serves to establish a standard of business conduct for all of HAS's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.
- B. Neither HAS nor any related person of HAS recommends, buys, or sells for client accounts, securities in which HAS or any related person of HAS holds a material financial interest.
- C. HAS and/or representatives of HAS may buy or sell securities that are also recommended to clients. This practice may create a situation where HAS and/or representatives of HAS are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if HAS did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of HAS's clients) and other potentially abusive practices.

HAS employs a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of HAS's "Access Persons". HAS's securities transaction policy requires that Access Person of HAS must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date HAS selects; provided, however that at any time that HAS retains only one Access Person, he or she shall not be required to submit any securities report described above.

- D. HAS and/or representatives of HAS *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where HAS and/or representatives of HAS are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11 C, HAS employs a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of HAS's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that HAS recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct HAS to use a specific broker-dealer/custodian), HAS generally recommends that investment

management accounts be maintained at *Schwab, AF* and/or *Equity Institutional*. Prior to engaging HAS to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with HAS setting forth the terms and conditions under which HAS shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that HAS considers in recommending *Schwab, AF* and/or *Equity Institutional* (or any other broker-dealer/custodian to clients) include historical relationship with HAS, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by HAS's clients shall comply with HAS's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where HAS determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although HAS will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, HAS's investment management fee. HAS's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, HAS receives from *Schwab* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist HAS to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by HAS may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by HAS in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products received may assist HAS in managing and administering client accounts. Others do not directly provide such assistance, but rather assist HAS to manage and further develop its business enterprise.

There is no corresponding commitment made by HAS to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**HAS's Chief Compliance Officer, Craig Hillegas, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

2. HAS does not receive referrals from broker-dealers.
3. HAS does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and HAS will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by HAS. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs HAS to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through HAS. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**HAS's Chief Compliance Officer, Craig Hillegas, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that HAS provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless HAS decides to purchase or sell the same securities for several clients at approximately the same time. HAS may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among HAS's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. HAS shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom HAS provides investment supervisory services, account reviews are conducted on an ongoing basis by HAS's representatives. All investment supervisory clients are advised that it remains their responsibility to advise HAS of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with HAS on an annual basis.
- B. HAS may conduct account reviews other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. HAS may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, HAS receives an economic benefit from *Schwab*. HAS, without cost (and/or at a discount), receives support services and/or products from *Schwab*.

There is no corresponding commitment made by HAS to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**HAS's Chief Compliance Officer, Craig Hillegas, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

- B. HAS does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15      Custody**

HAS shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. HAS may also provide a written periodic report summarizing account activity and performance.

To the extent that HAS provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by HAS with the account statements received from the account custodian.

The account custodian does not verify the accuracy of HAS's advisory fee calculation.

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

The client can determine to engage HAS to provide investment advisory services on a discretionary basis. Prior to HAS assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming HAS as client's attorney and agent in fact, granting HAS full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage HAS on a discretionary basis may, at any time, impose restrictions, in writing, on HAS's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe HAS's use of margin, etc.).

## **Item 17      Voting Client Securities**

- A. Unless the client directs otherwise in writing, HAS is responsible for voting client proxies (However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). HAS shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. HAS shall monitor corporate actions of individual issuers and investment companies consistent with HAS's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which HAS will consider when determining how it will vote differ on a case by case basis, they may, but are not be limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. Information pertaining to how HAS voted on any specific proxy issue is also available upon written request. Requests should be made by contacting HAS's Chief Compliance Officer, Craig Hillegas.
  
- B. To the extent that client elect to vote their own proxies, client's will receive their proxies or other solicitations directly from their custodian. Clients may contact HAS to discuss any questions they may have with a particular solicitation.

## **Item 18      Financial Information**

- A. HAS does not solicit fees of more than \$1,200, per client, six months or more in advance.
  
- B. HAS is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
  
- C. HAS has not been the subject of a bankruptcy petition.

## Item 1 Cover Page

A.

### **Craig James Hillegas**

Hillegas Advisory Services, Inc.

ADV Part 2B, Brochure Supplement

Dated: March 24, 2021

Contact: Craig J. Hillegas, Chief Compliance Officer

225 W. Plaza Street, Suite 201

Solana Beach, CA 92075

B.

**This Brochure Supplement provides information about Craig James Hillegas that supplements the Hillegas Advisory Services, Inc. Brochure; you should have received a copy of that Brochure. Please contact Craig Hillegas, Chief Compliance Officer, if you did *not* receive Hillegas Advisory Services, Inc.’s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about Craig James Hillegas is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

Craig James Hillegas was born in 1962. Mr. Hillegas graduated from The College of William & Mary in 1984 with a Bachelor of Business Administration degree and in 1992 received his Master of Science degree in Business Administration in Financial and Tax Planning from San Diego State University. Mr. Hillegas is President of Hillegas Advisory Services, Inc. since June 1993.

Mr. Hillegas has been a CERTIFIED FINANCIAL PLANNER™ since 1993. Certified Financial Planner Board of Standards, Inc. (“CFP Board”) owns the CFP® certification mark, the CERTIFIED FINANCIAL PLANNER™ certification mark, and the CFP® certification mark (with flame design) logo in the United States (these marks are collectively referred to as the “CFP® marks”). The CFP Board authorizes use of the CFP® marks by individuals who successfully complete the CFP Board’s initial and ongoing certification requirements.

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 88,000 individuals have obtained CFP® certification.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete a college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services or an accepted equivalent, including [completion of a financial plan development capstone course](#), and attain a Bachelor’s Degree from an accredited college or university. CFP Board’s financial planning subject areas include professional conduct and regulation, general principles of financial planning, education planning, risk management and insurance planning, investment planning, income tax planning, retirement savings and income planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 6 hours, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – CFP Board requires 6,000 hours of experience through the Standard Pathway, or 4,000 hours of experience through the Apprenticeship Pathway that meets additional requirements ; and
- Ethics – Agree to be bound by CFP Board’s *Code of Ethics and Standards of Conduct*, which put clients’ interest first; acknowledge CFP Board’s right to enforce them through its *Disciplinary Rules and Procedures*; comply with the *Financial Planning Practice Standards* which determine what clients should reasonably expect from the financial planning engagement and complete a CFP® Certification Application which requires disclosure of an individual’s background, including involvement in any criminal, civil, governmental, or self-regulatory agency proceeding or inquiry, bankruptcy, customer complaint, filing, termination/internal reviews conducted by the individual’s employer or firm.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours accepted by the CFP Board every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and

- Ethics – CFP® professionals agree to adhere to the high standards of ethics and practice outlined in CFP Board’s Code of Ethics and Standards of Conduct and to acknowledge CFP Board’s right to enforce them through its Disciplinary Rules and Procedures. The Code of Ethics and Standards of Conduct require that CFP Professionals provide financial planning services in the best interests of their clients.
- Certification Application – Properly complete a Certification Application to (i) acknowledge voluntary adherence to the [terms and conditions of certification with CFP Board](#) and (ii) disclose any involvement in criminal and civil proceedings, inquiries or investigations, bankruptcy filings, internal reviews and customer complaints.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

You may [verify an individual's CFP®](#) certification and background through the CFP Board. The verification function will allow you to verify an individual’s certification status, CFP Board’s disciplinary history and any bankruptcy disclosures in the past ten years. Additional regulatory information may also be found through [FINRA’S BrokerCheck](#) and the [SEC’s Investment Adviser Public Disclosure databases](#), which are free tools that may be used to conduct research on the background and experience of CFP® professionals and those who held CFP® certification at one time, including with respect to employment history, regulatory actions, and investment-related licensing information, arbitrations, and complaints.

### **Item 3 Disciplinary Information**

None.

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

- A. The supervised person is not actively engaged in any other investment-related businesses or occupations.
- B. The supervised person is not actively engaged in any non-investment-related business or occupation for compensation.

### **Item 5 Additional Compensation**

None.

### **Item 6 Supervision**

The Registrant provides investment advisory and supervisory services in accordance with the Registrant’s policies and procedures manual. The primary purpose of the Registrant’s Rule 206(4)-7 policies and procedures is to comply with the supervision requirements of Section 203(e)(6) of the Investment Advisers Act of 1940 (the “Act”). The Registrant’s Chief Compliance Officer, Craig J. Hillegas, is primarily responsible for the implementation of the

Registrant's policies and procedures and overseeing the activities of the Registrant's supervised persons. Should an employee, independent contractor, investment adviser representative, or solicitor of the Registrant have any questions regarding the applicability/relevance of the Act, the Rules thereunder, any section thereof, or any section of the policies and procedures, he/she should address those questions with the Chief Compliance Officer. Should a client have any questions regarding the Registrant's supervision or compliance practices, please contact Mr. Hillegas at (858) 756-6111.

## Item 1 Cover Page

A.

### **John Mark Chapra**

Hillegas Advisory Services, Inc.

ADV Part 2B, Brochure Supplement

Dated: March 24, 2021

Contact: Craig J. Hillegas, Chief Compliance Officer

225 W. Plaza Street, Suite 201

Solana Beach, CA 92075

B.

**This Brochure Supplement provides information about John Mark Chapra that supplements the Hillegas Advisory Services, Inc. Brochure; you should have received a copy of that Brochure. Please contact Craig Hillegas, Chief Compliance Officer, if you did *not* receive Hillegas Advisory Services, Inc.'s Brochure or if you have any questions about the contents of this supplement.**

**Additional information about John Mark Chapra is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

John Mark Chapra was born in 1954. Mr. Chapra graduated from the State University of New York, University at Albany in 1976 with a Bachelor of Arts degree in French. He graduated from the University of California at San Diego in 1989 with a Bachelor of Arts degree in Computer Science. Mr. Chapra graduated from the University of San Diego in 2002 with a Masters of Business Administration degree with an emphasis in Finance. Mr. Chapra graduated from San Diego State University in 2006 with a Master of Science degree in Business Administration with an emphasis in Financial and Tax Planning. Since April of 2014, Mr. Chapra has been a planner of Hillegas Advisory Services, Inc. From September of 2006 to April of 2014, Mr. Chapra was a paraplanner of Hillegas Advisory Services, Inc. From April of 2006 to April of 2012, Mr. Chapra was a paraplanner of Avenue Advisors.

Mr. Chapra has been a CERTIFIED FINANCIAL PLANNER™ since 2011. Certified Financial Planner Board of Standards, Inc. (“CFP Board”) owns the CFP® certification mark, the CERTIFIED FINANCIAL PLANNER™ certification mark, and the CFP® certification mark (with flame design) logo in the United States (these marks are collectively referred to as the “CFP® marks”). The CFP Board authorizes use of the CFP® marks by individuals who successfully complete the CFP Board’s initial and ongoing certification requirements.

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- B. The supervised person is not actively engaged in any non-investment-related business or occupation for compensation.

### **Item 5 Additional Compensation**

None.

## **Item 6 Supervision**

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