



# HAROLD DANCE INVESTMENTS

*Financial Advisors Since 1959*

## Firm Disclosure Brochure

*Item 1 – Form ADV Part 2A – August 14, 2019 – Page 1 of 8*

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### Disclaimer

This brochure provides information about the qualifications and business practices of Harold Dance Investments (hereinafter “HDI”). If you have questions about the contents of this brochure, please contact Stephen F. Neeley, President and Chief Compliance Officer of HDI at 435-752-8484 or [steve@harolddance.com](mailto:steve@harolddance.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (hereinafter “SEC”) or by any state securities authority.

Additional information about Harold Dance Investments is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (the CRD number for The Firm is 1582).

Harold Dance Investments may refer to itself as a “registered investment advisor” or “RIA.” Registration itself does not imply any level or skill or training.

## Material Changes

*Item 2*

Harold Dance Investments updated this brochure (Form ADV Part 2A) from the previous version, an annual filing dated March 29, 2018, as part of an annual filing. The updated brochure reflects current principals and owners and current RIA assets managed (See Advisory Business, Item 4). No other material changes exist in the content of the brochure.

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## Advisory Business

Item 4

### Introduction

Serving as a financial advisor since 1959, Harold Dance Investments is a client-centric independent investment firm. HDI operates both as a registered investment advisor (hereafter “RIA”) and a broker-dealer (hereafter “B-D”). The firm operated solely as a B-D from 1960 until 2005 when HDI began offering fee-based Portfolio Management Services as an RIA. HDI also maintains licenses to sell certain insurance products. HDI’s principals are Stephen F. Neeley and Daniel J. Neeley and its owners are Aaron J. Neeley, Daniel J. Neeley, and Stephen F. Neeley.

### Dual Registration

As noted above, Harold Dance Investments is dually registered as a B-D and an RIA.

As a B-D, Harold Dance Investments is limited to dealing in mutual funds and variable annuities on an application-way basis. Due to the greater time operating as a B-D, HDI has a larger number of clients, accounts, and investment assets related to its B-D as compared to its RIA. HDI expects that the RIA will become an increasingly significant part of the firm’s total business over time, but intends to continue to make both options available to clients.

As an RIA, the firm can assist clients to deal in a broader array of investment alternatives, which include, but are not limited to, mutual funds and variable annuities. HDI utilizes Fidelity Investments to custody its investment advisory accounts unless the account is part of an employer-sponsored retirement plan or direct mutual fund relationship, or if the client desires to use a different broker-dealer. HDI and Fidelity Investments are independent and not related.

HDI has no bias as to whether a client has a B-D account or an RIA account. In some cases, it may be in the client’s best interest to have an account on the B-D side of the business, or vice versa. There may be inherent conflicts of interest created because of HDI’s dual registration. Clients should understand the differences between an RIA account and a B-D account. However, HDI believes the dual registration provides HDI and HDI’s clients great flexibility to structure an investment approach utilizing the type of account most suitable for the client’s circumstances.

This brochure is intended primarily to provide information about HDI as an RIA. Unless otherwise stated, information provided relates to the RIA. However, in an attempt to provide full disclosure of HDI’s entire scope of business, there may also be references to the B-D.

### Portfolio Management Services

As an RIA, Harold Dance Investments provides portfolio management services, where appropriate, to individuals, trusts, charitable organizations, and corporations or other business entities.

HDI provides advice to clients through its Investment Advisor Representatives (hereafter “IAR”). This advice relates to each client’s invested assets based upon the individual needs, circumstances, and goals of the client. HDI consults with the client to obtain necessary and pertinent personal and financial information which will enable the IAR to prepare appropriate recommendations. HDI will generally manage advisory accounts on a discretionary basis. HDI relies on risk tolerance guidelines and/or other factors provided by the client to determine the suitability of each client’s account. Portfolio management is directed by the stated objectives of the client as included in the client file and/or expressed orally by the client.

HDI assists clients in creating portfolios which typically consist of mutual funds. Mutual funds may be selected based on any of the following criteria: the fund’s historical performance, the track record and reputation of the fund’s portfolio manager, the fund’s investment approach and objectives, the fund’s management style and philosophy, the fund’s fee structure, the sector of the economy to which the fund is exposed, the types of individual investments held in the fund, and the geographic exposure of the fund. In addition to mutual funds,

other investment vehicles may be utilized, which include: individual equities, bonds, unit investment trusts, exchange traded funds, variable annuities, fixed annuities, and other investment products. HDI will assist the client to allocate their assets in mutual funds primarily, but also among the various investment alternatives taking into consideration the client's individual circumstances, objectives, and desires.

Clients will have the opportunity to place restrictions on the type of investments used in their portfolio. In addition, each account may have been opened on a different date and each client has a unique combination of individual circumstances, objectives, and desires. Therefore, performance of client portfolios with the same investment objective will vary. Clients should expect that the performance of their individual portfolio will vary from portfolios of other HDI clients.

HDI does not participate in any wrap fee program.

As of August 13, 2019, HDI managed \$54,700,000 of RIA client assets on a discretionary basis and no RIA client assets on a non-discretionary basis.

## **Fees and Compensation**

### *Item 5*

#### **Standard Fee Structure**

Except in a case where the fee is waived or an alternative fee rate or structure is negotiated, the annual fee for HDI's portfolio management services will be charged as a percentage of assets under management (hereafter "AUM") ranging from 0.25% annually (0.0625% quarterly) to 1.00% annually (0.25% quarterly).

In some cases, the same or similar services may be obtained for a lower total fee. Clients should consider all other options, including investing on a commission basis through a B-D, prior to establishing an investment advisory account through HDI.

In addition to AUM fees, clients may be subject to brokerage and other transactional costs, which will be paid directly to the brokerage firm associated with the particular investment advisory account, which firm also serves as custodian of the account, and is separate, independent, and not affiliated with HDI (see Brokerage Practices, Item 12).

#### **Negotiated Alternative Fee Structure**

Alternatives to the fee structure are commonly negotiated, depending on the types of investments, degree of involvement required by HDI, and client circumstances.

#### **Fee Waiver**

There may be circumstances in which the fee is waived at the sole discretion of HDI. This is most commonly done when a client may have investment holdings through HDI's B-D and HDI agrees to assist the client with an investment advisory account and charge no fee, or when a client desires to invest an incidental amount in a type of investment not available through the B-D business.

#### **Collection of Fees**

Fees will be directly collected on a quarterly basis from client accounts in arrears based upon the value of the client's account at the end of the previous quarter. Fidelity Investments, the independent custodian, will send to the client, either by mail or electronically based on the client's preference, a monthly statement. For the months during which the fee was charged, the monthly statement will indicate all amounts disbursed from the account attributable to the advisory fee. Upon request, HDI will provide to the client details of the specific manner in which the fee was calculated, including the value of the client's assets upon which the fee was based, the date of the calculation, and the percentage used.

## Termination of Advisory Relationship

Client agreements may be cancelled at any time, by either party, for any reason upon written notice. Upon termination of any advisory account, unpaid fees immediately will be due and payable, based on the pro-rata number of days the account was managed during the quarter.

## Mutual Fund Fees

Fees paid to HDI for advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in the prospectus of each mutual fund. These fees typically include management fees, other fund expenses, and possibly a distribution fee. Funds may also impose an up-front or deferred sales charge, although the typical mutual fund used in an investment advisory account waives the sales charges. Distribution fees or up-front or deferred sales charges paid by a mutual fund in an advisory account are retained by Fidelity Investments. A client could invest directly with a mutual fund company through HDI's B-D. In such a case, the client may incur an up-front or deferred sales charge, but could avoid the investment advisory fee typically charged on an investment advisory account. Alternatively, to the extent a client utilizes the services provided in an investment advisory account, an ongoing advisory fee typically will be charged along with the standard fees and expenses built into the mutual fund. However, up-front or deferred mutual fund sales charges could be avoided.

## Variable Annuities

Variable annuities are typically sold to HDI clients through HDI's B-D. The variable annuity company typically compensates HDI directly. In such cases, HDI will not charge an additional advisory fee on the variable annuity account. However, there are some variable annuities that do not provide compensation to the firm that sells the variable annuity. If such a variable annuity is used as part of an investment advisory account, an advisory fee may be charged according to the normal investment advisory fee practices.

## Understanding Fees and Compensation

Clients should review the fees, expenses, and sales charges charged by mutual fund or variable annuity companies, and the investment advisory fees charged by HDI, to fully understand the total amount of the fees to be paid by the client, the amount of compensation paid to HDI, and to understand which charges and fees can be avoided through an RIA account or B-D account. A conflict of interest can arise at a dually-registered firm or when investment adviser representatives are also registered representatives of a broker-dealer, especially when an adviser or its representatives receive commissions from brokerage activities while receiving advisory fees for recommending those brokerage transactions. However, in HDI's case, the B-D providing brokerage services relating to investment advisory accounts is an independent custodian not related to or affiliated with HDI or HDI's B-D. HDI's B-D has no involvement in HDI's investment advisory accounts and as such HDI's B-D collects no fees, expenses, or charges relating to HDI investment advisory accounts. Although HDI's IARs also serve as registered representatives of HDI's B-D, they are not registered representatives of the B-D providing brokerage services relating to HDI's investment advisory accounts. Furthermore, HDI will not assess an advisory fee on its B-D assets for which it receives compensation directly from the investment company. Each client asset will either be an RIA asset for which HDI may charge an advisory fee for portfolio management services but will not provide brokerage services or receive compensation relating to brokerage services, or a B-D asset for which HDI receives compensation from the investment company.

## Performance-Based Fees and Side-By-Side Management

### Item 6

Harold Dance Investments does not charge performance-based fees (fees based on gains). None of its clients' accounts are managed side-by-side any performance-based accounts.

## Types of Clients

### Item 7

Harold Dance Investments will provide advisory services to various types of clients, including individuals, trusts, charitable organizations, and corporations or other business entities. The majority of HDI's RIA clients are expected to be individuals seeking portfolio management services for their personal accounts. HDI does not impose a minimum dollar value of assets or other condition for starting or maintaining an account. However, HDI may decline to enter into an RIA agreement or terminate an existing relationship if it determines that such a course of action is in the best interest of the firm.

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

### *Item 8*

Harold Dance Investments will use any methods of analysis and investment strategies it deems appropriate to achieve each client's objectives. The selection of a particular method or strategy will be guided by the IAR's education and experience and based on the client's objectives and circumstances.

Every financial instrument carries risk of some kind. For cash or FDIC-insured accounts, one of the principle risks is inflation. For a diversified mutual fund, one primary risk is volatility. For an individual equity or debt security, bankruptcy can result in a total loss of capital. HDI seeks to understand the risks inherent in any method of analysis, investment strategy, and particular investment, to take risks consistent with the objectives and circumstances of the client, and to avoid exposing the client to unnecessary risks.

Clients should seek to understand the particular methods of analysis and investment strategies to be used in each case and the potential risks. Investing in securities involves risk of loss the clients should be prepared to bear.

## **Disciplinary Information**

### *Item 9*

Neither Harold Dance Investments nor any of its related persons have had any legal or disciplinary events in their past. Clients and prospective clients can view the CRD records (registration records) for HDI or any of its IARs through the SEC's Investment Adviser Public Disclosure (IAPD) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or through FINRA's BrokerCheck database online at [www.finra.org/brokercheck](http://www.finra.org/brokercheck). The CRD number for HDI is 1582 and the CRD numbers for IARs are listed with their biographical information in the accompanying brochure supplement.

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

### *Item 10*

Harold Dance Investments is actively engaged in its principal business as a FINRA registered B-D, through which it sells investment related products and services. The principal executive officers and IARs of HDI are also, but separately, licensed as registered representatives of HDI's B-D. As a B-D, HDI deals only in mutual funds and variable annuities on an application-way basis directly with the respective mutual fund or variable annuity company. HDI as a B-D is compensated through sales commissions or services charges. HDI as an RIA is compensated through investment advisory fees. There may be conflicts of interest created due to HDI's dual registration as an RIA and B-D, although HDI has no preference as to whether it serves clients on the B-D versus RIA side of the business. Clients of HDI may choose to have either an account through the B-D or through the RIA or both. The amount and timing of investment related expenses will vary between a B-D account and an RIA account. More than 67 percent of HDI's time is spent on B-D related activities.

Occasionally, IARs of HDI may buy and/or sell the same investments recommended to clients. However, because these investments are primarily mutual funds or variable annuities, in the opinion of HDI, clients will not be harmed or hurt from such investments by IARs. One of HDI's IARs, Jack W. Peterson, is licensed as a Certified Public Accountant in the state of Utah. As such, he provides for a fee limited tax preparation and bookkeeping services for some relatives. These services are provided by Mr. Peterson independent and separate from his work as an IAR for HDI. HDI does not provide or receive compensation relating to tax preparation and bookkeeping services.

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

### Item 11

Due to the conflicts inherent in the securities industry generally and HDI's dual RIA/B-D registration specifically, Harold Dance Investments has adopted a code of ethics expressing the firm's commitment to ethical conduct. HDI's code of ethics describes the firm's fiduciary duties and responsibilities to clients, and sets forth HDI's practice of supervising the personal securities transactions of supervised persons with access to client information. Individuals associated with HDI may buy or sell securities for their personal accounts identical to or different than those recommended to clients. Transactions involving the same securities potentially involve a conflict of interest as HDI or its IARs may benefit from an increase in price from subsequent purchases by clients. However, HDI and its IARs recommend and deal almost entirely in mutual funds, variable annuities, or other investments that are so widely traded and have such a large dollar volume associated with them that neither clients nor IARs will have enough funds invested in any given security to move the market materially one way or the other in that particular security. Furthermore, it is the expressed policy of HDI that no person employed by HDI shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients or recommendations made to them.

Compliance supervision of HDI's code of ethics requires that anyone associated with the advisory practice with access to advisory recommendations provide statements of all personal investment accounts and any accounts in which they have a financial interest and that are held outside of HDI. All such personal securities transactions are included except: bank or credit union accounts, commercial paper, money markets, direct obligations of the United States government, bankers acceptance notes, shares issued by registered open-end investment companies, or variable annuities.

HDI requires that each affiliated individual act in accordance with all applicable federal and state regulations governing registered investment advisory practices.

HDI will provide a complete copy of its code of ethics to any client upon request to HDI's Chief Compliance Officer.

## Brokerage Practices

### Item 12

The broker for most investment advisory accounts is Fidelity Investments, custodian of HDI's RIA accounts. Fidelity Investments is deemed an appropriate broker because of competitive transaction pricing, a broad-array of investment alternatives, and the convenience of effecting transactions on behalf of clients. HDI does not receive any material research or other soft dollar benefits from Fidelity Investments. HDI provides portfolio management services for some participants in employer-sponsored retirement plans managed by TIAA-CREF, in which Fidelity Investments is not the broker. HDI may recommend other brokers in the future as the RIA business grows. HDI as a B-D does not affect securities transactions for compensation for any of its RIA clients. HDI purchases and sells securities individually on behalf of each client. HDI's strategies employed generally require a minimum number of transactions for securities which vary from client to client. Rarely, if ever, does HDI buy or sell the same security on or about the same time for more than one client. HDI does not aggregate the purchase and sale of securities for client accounts, rarely has the opportunity to do so, and believes the cost to clients for this practice is negligible, if anything.

## Review of Accounts

### Item 13

Upon opening an account, information regarding each client's investment objectives, income, age, employment status, financial status, and tax status are collected and reviewed by the IAR and selectively by the IAR's supervisor. Going forward, accounts are continuously monitored by HDI IARs and may also be reviewed as

needed by the IAR supervisor. Accounts are reviewed in the context of each client's circumstances. Documentation of monitoring and review may or may not be included in the client file. Client assets are invested based upon the individual circumstances of each client. Changes in the client's individual circumstances, or changes in other variables such as market, political, or economic circumstances may trigger a more detailed and frequent review. Biographical information about each IAR and supervisors is included in the Brochure Supplement.

HDI furnishes performance reports to clients on a monthly or quarterly basis. In addition, confirmations and other details relating to the client's portfolio are provided as needed. The monthly or quarterly report includes a performance summary page and detailed information about the client's specific holdings and any transactions.

The monthly and quarterly reports and confirmations are generated by and sent directly from the custodian of HDI's advisory accounts. Each quarter, the regular report includes the advisory fee charged to the client. From time to time, based on the client's circumstances, other reports and analyses may be generated and provided to the client.

## **Client Referrals and Other Compensation**

### *Item 14*

HDI does not directly or indirectly compensate any person outside the firm for client referrals.

HDI does not have any arrangements where it is paid cash or receives some economic benefit from a non-client in connection with giving advice to clients. However, from time to time, HDI may receive mass produced research or economic commentary literature from a broker-dealer with whom HDI does business. This literature typically comes from mutual fund or variable annuity companies and is not connected with client specific securities transactions. IARs may use the literature as a source of information related to recommendations provided to clients.

## **Custody**

### *Item 15*

Although HDI prefers that customers send funds to be invested in their advisory account directly to Fidelity Investments (custodian of RIA accounts), or make checks payable to Fidelity Investments for their benefit, customers may provide to HDI checks written payable to HDI for their benefit or currency (up to \$5,000) to be invested in their investment advisory account. Currency or checks made payable to HDI to be invested in an advisory account will be run through HDI's special account for the exclusive benefit of customers of HDI. HDI has established practices and procedures for handling and safeguarding such funds, according to regulatory requirements.

As mentioned above, HDI utilizes an independent custodian to hold HDI investment advisory accounts. Thus, HDI does not have physical custody of client assets or securities. However, HDI is considered to have a limited custody for RIA accounts from which it is authorized to directly withdraw advisory fees.

Because of HDI's limited custody as described above, it is subject to certain regulatory requirements. HDI meets these regulatory requirements by having a \$35,000 net worth or fidelity bond and by contracting the services of Jones Simkins PC, an independent third-party Certified Public Accounting firm, to perform an audit each year.

## **Investment Discretion**

### *Item 16*

When entering into HDI's investment advisory agreement, the client has the authority to determine the scope of HDI's investment discretionary authority, and may restrict investments made on a discretionary basis. If the client retains discretion for investment decisions, the firm secures client approval prior to any security

transactions. Accounts granting discretion to manage accounts includes authority to determine the identity and amount of securities to be bought or sold and the timing associated with such transactions.

All HDI investment advisory accounts are required to be held at Fidelity Investments unless the account is part of an employer-sponsored plan or direct mutual fund relationship or if the client desires to use a different broker-dealer. Fidelity Investments is independent of and not related to HDI. All variable annuity contracts managed by HDI and/or IARs are held directly with the issuer but with HDI as B-D. HDI has endeavored to select the custodian for all RIA accounts who will provide excellent service for a reasonable and fair fee. The custodian also acts as B-D for all advisory account transactions. This custodian and B-D for RIA accounts is Fidelity Investments. The reasonableness of Fidelity's fees is based on Fidelity's ability to provide professional services which will help HDI's IARs to provide investment management services to clients. RIA account custodian alternatives other than Fidelity Investments may offer lower fee arrangements; however these alternative custodians are not generally available to HDI clients. HDI reserves the right to change its RIA custodian at its sole discretion.

## **Voting Client Securities**

### *Item 17*

For any security that entails a voting right in the underlying company, HDI will not have or accept authority to vote client securities. All voting issues, proxies, and solicitations will be communicated to clients through the custodian. Upon request, HDI may help explain or answer questions regarding a given voting issue or assist in responding to a proxy solicitation.

## **Financial Information**

### *Item 18*

HDI maintains reserves in excess of regulatory requirements. HDI assesses all advisory fees in arrears. HDI is not subject to any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

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

### *Item 19*

HDI's sole principal executive officer or management person is Stephen F. Neeley. His biographical information is provided in the attached brochure supplement.

The "Other Financial Industry Activities and Affiliations" section of this brochure describes businesses in which HDI is actively engaged other than serving as an RIA.