



SEC Registered Investment Adviser

## Disclosure Brochure

March 23, 2011

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This brochure provides information about the qualifications and business practices of Hanlon Investment Management, Inc. If you have any questions about the contents of this brochure, please contact us at (609) 601-1200. 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 Hanlon is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Hanlon is an SEC registered investment adviser. Registration does not imply any level of skill or training.

### **Item 2. Material Changes**

Hanlon Investment Management, Inc. ("Hanlon") does not have any material changes to disclose for this brochure.

# Hanlon Investment Management, Inc.

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## Supervised Person Brochure Supplement(s)

John J. “Sean” Hanlon, IV  
Thomas J. Ericson  
Andrew Johnston  
Jesse Chandler

## Item 4. Advisory Business

Hanlon provides investment management services to individuals, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities (“clients”). Hanlon has been a SEC registered investment adviser since February 11, 2002. John “Sean” J. Hanlon, IV is the principal owner of Hanlon. As of December 31, 2010, Hanlon had 2,577,145,628 of assets under management all of which are managed on a discretionary basis.

## **Hanlon Investment Management, Inc.**

### **Investment Management Services**

The investment management services Hanlon offers to clients are tailored to each client's individual investment needs. Initially, Hanlon provides tools for clients and their financial advisors to determine risk tolerance, time horizon and other factors that may impact their investment needs. Hanlon uses the information provided to ensure investments made in client portfolios are appropriate for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify Hanlon if there are changes in their financial situation, investment objectives or if they wish to impose any reasonable restrictions upon Hanlon's investment management services. Clients can engage Hanlon to manage all or a portion of their assets, on a discretionary basis, by entering into one or more written agreements with Hanlon. Clients may be required to enter into additional written agreements with third party broker-dealers, insurance companies, investment companies and/or custodians that are not affiliated with Hanlon. At the present time, Hanlon offers its investment management services on client assets within the products and platforms below.

#### **Brokerage Platforms:**

For clients who would like Hanlon to provide investment management services on assets held in a brokerage account, Hanlon generally recommends that clients utilize the brokerage and clearing services of Pershing, LLC through Pershing Advisor Solutions ("Pershing") and Charles Schwab & Co, Inc. ("Schwab"). Investments recommended and made by Hanlon in brokerage accounts include no-load and load waived mutual funds, exchange traded funds ("ETFs"), individual stocks and bonds.

See Item 5 for a summary of service fees and custodian fees associated with brokerage accounts.

#### **Variable Insurance Products: (Variable Annuities and Variable Life Insurance)**

Hanlon provides discretionary investment management services to the owners of variable annuities and variable life insurance products issued by many different insurance carriers, which are all registered as securities products with the SEC. Clients will execute a contract with Hanlon to manage the allocation of the cash value among the inventory of insurance separate accounts available for that particular variable insurance product. The client accounts are held in custody at a qualified custodian chosen by the issuing insurance company and named in the prospectus for that product. Each individual insurance carrier may require Hanlon to execute additional forms to allow Hanlon to provide investment management services. Hanlon executes trades through a process defined by each individual insurance carrier or custodian. In some instances, the issuer of the insurance contract has imposed limitations on the frequency of transactions in certain insurance separate accounts. Hanlon tracks those restrictions and adjusts its allocation accordingly.

See Item 5 for a summary of service fees and custodian fees associated with brokerage accounts.

#### **Transamerica Trust Series:**

Pursuant to a written agreement with Transamerica Asset Management, Inc. ("TAM"), Hanlon serves as the sub-advisor on four funds within the Transamerica Trust Series. These funds are

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offered as investment alternatives in certain variable life and variable annuity products issued by Transamerica Corporation and its affiliates. Hanlon will observe the investment parameters described in the investment company's offering documents as well as those required by the Investment Company Act of 1940 and any regulations issued in addition to any applicable provisions of the Internal Revenue Code.

See Item 5 for a summary of service fees associated with Transamerica Trust Series.

### **Registered Investment Advisor Services, Inc. (Nationwide):**

Pursuant to a service agreement by Hanlon with Registered Investment Advisor Services, Inc. ("RIA Services"), a Nationwide Financial Services Inc. subsidiary ("Nationwide"), Hanlon provides investment management services to participants of 401(k) and 403(b) plans where Nationwide is the Third Party Administrator ("TPA") and provider of investment products. All such trades are made by Hanlon on a fully discretionary basis through Nationwide. The investments made are no-load or load waived mutual funds.

See Item 5 for a summary of service fees associated with RIA Services and Nationwide.

### **Benefit Solutions Corporation:**

Benefit Solutions Corporation ("BSC") is a third party administrator and record-keeper of qualified retirement plans. Hanlon is one, among several, investment advisers available through the BSC platform. Plan sponsors can elect to make Hanlon's investment management services and core fund selection available to the plan and participants. Participant accounts are held in custody at MG Trust Company, LLC. Hanlon executes all trades on a discretionary basis through Matrix Settlement and Clearance Services, LLC. The investments made are no-load or load waived mutual funds.

See Item 5 for a summary of service fees associated with BSC.

### **Ludeman Capital Management, Inc.:**

Pursuant to a sub-advisory agreement by Hanlon with Ludeman Capital Management, Inc. ("Ludeman"), Hanlon provides fixed income investment advisory services on an individual account level for clients of Ludeman. All such trades are made by Hanlon on a fully discretionary basis through the Trust Company of America as custodian of the assets. The investments made are no-load or load waived mutual funds.

See Item 5 for a summary of service fees associated with Ludeman

## **Financial Planning and/or Other Consulting Services**

When specifically requested by a client, Hanlon may provide limited consultation services on investment and non-investment related matters. Any such services shall be rendered exclusively on an unsolicited basis, for which Hanlon may or may not receive additional compensation.

## **Item 5. Fees and Compensation**

Hanlon provides investment management services for an annual fee based upon a percentage of the market value of the clients' assets being managed by Hanlon. Hanlon's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Hanlon does not, however, receive any portion of these commissions, fees, and costs.

Hanlon reserves the right to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

A client may elect to pay Hanlon directly rather than have the fee deducted from the assets of the account(s) being managed. In such instances, Hanlon mails a bill to the client for the management fee. The bill contains a statement that the fee will be paid by way of an ACH from a client's bank account per the client's previous authorization. If the client chooses they may submit a check to Hanlon within 21 days from the date of the bill to cover the fee.

### **Investment Management Fee**

#### **Brokerage Platforms:**

When a client engages Hanlon to provide investment management services through Pershing or Schwab, Hanlon charges an annual fee. The annual fee, prorated and paid quarterly in advance of services, is based on a percentage of the market value of the assets in the clients account under our management on the last day of the previous quarter. The fee schedule below is used to determine the fee charged annually.

PORTFOLIO VALUE	BASE FEE
up to \$499,999	2.20%
Next \$500,000	1.70%
Above \$999,999	1.20%

The broker-dealer/custodian of the account deducts the applicable fee and remits the fee to Hanlon. This fee will appear on the quarterly statement of the broker-dealer to the client as a management fee.

#### **Variable Insurance Products:**

When a client engages Hanlon to provide investment management services through an insurance carrier, Hanlon charges an annual fee. The annual fee, prorated and paid quarterly in advance of services, is based on a percentage of the market value of the assets in the clients account under our management on the last day of the previous quarter. The fee schedule below is used to determine the fee charged annually.

## **Hanlon Investment Management, Inc.**

PORTFOLIO VALUE	BASE FEE
up to \$499,999	2.20%
Next \$500,000	1.70%
Above \$999,999	1.20%

The custodian of the account deducts the applicable fee and remits the fee to Hanlon. This fee will appear on the quarterly statement of the insurer/custodian to the client as a fee deduction or distribution.

### Investment Company Management (Transamerica Trust Series):

Hanlon charges the fees described in the applicable advisory or sub-advisory agreement to the extent consistent with applicable laws and the offering documents of the investment company client. Generally, for investment company clients, Hanlon charges between 0.40% to 1.00% of assets under management, subject to increase or decrease depending on several factors, including the nature and size of the particular investment company and the assets being managed by Hanlon. Fees are calculated by the advisor to the fund and then deducted by the custodian and paid to the advisor who in turn pays Hanlon.

### Registered Investment Advisor Services, Inc. (Nationwide):

Hanlon receives an annual management fee up to of 0.60% of the market value of the assets, paid quarterly in arrears, based on the average daily balance of the assets for the prior quarter. RIA Services calculates and then instructs the custodian to deduct the fee from the client account and remit that fee to Hanlon. Certain client accounts opened prior to 2009 have fees ranging to 0.90%. Pursuant to the applicable agreement with the client, Hanlon also collects the fee charged for RIA Services and Nationwide as the TPA and remits those amounts to RIA Services once received.

### Benefit Solutions Corporation:

Hanlon receives an annual management fee up to of .65% for Plan assets invested in one or more of the allocation models designed by Hanlon. In addition, a fee of .10% is charged against those Plan assets that are invested in “core funds” that have been selected for inclusion in the Plan by Hanlon as a co-fiduciary along with the Plan sponsor. A separate solicitor fee of up to 1.00% may be charged against all assets in the Plan. All fees are calculated by BSC and deducted by the custodian and paid to Hanlon monthly in arrears.

### Ludeman Capital Management, Inc.:

Per the sub-advisory agreement by Hanlon and Ludeman, Hanlon receives an annual fee of 0.75% of the market value of the assets it provides services on. This fee is paid quarterly in arrears, based on the average daily balance of the assets for the prior quarter. Ludeman calculates and deducts the fee from the client account and remits that fee to Hanlon.

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### **Charges and Fees by Third-Parties**

Clients may be charged certain fees and expenses imposed by third party broker-dealers, insurance companies, investment companies and/or custodians such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Hanlon's fee.

### **Fees for Management During Partial Quarters of Service**

When a client engages Hanlon to provide investment management services the fees are calculated on a pro rata basis for the initial period.

Hanlon's investment management services will continue in effect until terminated by either Hanlon or the client pursuant to the terms of the written agreement. Once services are terminated Hanlon will prorate fees the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable for such assets will be prorated based on the number of days remaining in the quarter. It is Hanlon's policy that no fee adjustments will be made for any additions or withdrawals, unless such adjustment would be greater than \$75.

Certain persons associated with Hanlon are also registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of FINRA. Please see Item 10, below, for more information.

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

Hanlon does not provide any services for performance-based fees.

## **Item 7. Types of Clients**

Hanlon provides its services to individuals, investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

A condition for starting and maintaining a relationship with Hanlon is a portfolio size of \$75,000. Hanlon makes an exception for participant accounts in 401(k) and 403(b) plans in which Hanlon has been hired by the plan sponsor to serve as the investment adviser. Hanlon reserves the right to accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing clients. Hanlon only accepts clients with less than the

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minimum portfolio size if, in the sole opinion of Hanlon, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Hanlon may aggregate the portfolios of family members to meet the minimum portfolio size.

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

Hanlon tailors its investment management services to the individual needs of clients. Hanlon manages clients' portfolios in one of its four proprietary investment strategies for brokerage, investment companies and variable insurance products. The four investment strategies are Managed Income, Balanced, Growth and Income, and Growth. For participants in 401(k) and 403(b) plans through Nationwide (RIA Services) and BSC, Hanlon uses six proprietary investment strategies to meet the clients' needs. The six investment strategies are Managed Income, Balanced-Managed Income, Balanced, Growth and Income, Growth and Aggressive Growth.

Hanlon primarily composes portfolios consisting of mutual funds that are no-load or load waived, exchange traded funds, closed-end funds, and where applicable, variable annuity and variable universal life sub-accounts. Hanlon utilizes a tactical and strategic asset allocation approach to making investment decisions for client's portfolios.

Hanlon utilizes a tactical and strategic asset allocation approach to making investment decisions. The tactical component is based on a proprietary combination of technical, quantitative, and volume analysis. The question Hanlon asks itself is "should our clients be in the equity and/or bond market at all, and if so, how much should they commit?" After performing a daily tactical analysis of the markets, Hanlon then administers the strategic component. Here, Hanlon analyzes all the available fund styles to rank and determine which are performing best from a risk-adjusted return basis. Hanlon seeks to compose client portfolios with the fund styles that are providing the best return in the current environment and attempt to reduce risk.

#### **Mutual Funds and Exchange Traded Funds (ETFs)**

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual funds and ETFs are subject to secondary market trading risks. Shares of mutual funds and ETFs will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a mutual funds' and ETFs' exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the mutual fund or ETF may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price that an investor would buy or sell the mutual fund or ETF at. The per share NAV of a mutual fund or ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the mutual fund's or ETF's holdings. The trading prices of a mutual fund's or ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's ETF's shares trading at a premium or discount to NAV.



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### **Market Risks**

The profitability of a significant portion of Hanlon's recommendations and investment selections in Client accounts may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Hanlon will be able to predict those price movements accurately.

### **Management through Similarly Managed Accounts**

Hanlon's management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

The investment strategy may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Hanlon Hanlon's clients may be limited. For example, various mutual funds or insurance companies may limit the ability of Hanlon to buy, sell, exchange or transfer securities consistent with its investment strategy. Hanlon allocates investment opportunities among its clients on a fair and equitable basis.

### **Use of Margin**

To the extent that a client authorizes the use of margin, and margin is thereafter employed by Hanlon in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Hanlon will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin correspondingly increases the management fee payable to Hanlon. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

### **Risk of Loss**

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

Hanlon is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Hanlon does not have any required disclosures to this Item.

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

Hanlon is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Hanlon has described such relationships and arrangements below.

### **Registered Representatives of Broker Dealer**

Certain persons associated with Hanlon are also registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of FINRA. Clients may engage these persons on matters not related to Hanlon managed accounts to implement securities transaction and brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Hanlon to satisfy those brokerage needs. PKS may charge brokerage commissions to effect these securities transactions and services. A portion of these commissions may be paid by PKS to such associated persons. Prior to effecting any transactions clients are required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers.

In addition, certain of Hanlon's associated persons may also receive ongoing 12b-1 fees for mutual fund purchases not related to any assets in Hanlon managed accounts; these fees are received from the mutual fund company during the period that the client maintains the mutual fund investment. A conflict of interest may exist to the extent that Hanlon recommends the purchase of securities where a Hanlon associated person receives commissions or other additional compensation as a result of Hanlon's recommendations. Hanlon has procedures in place to ensure that any recommendations made by such associated persons are in the best interest of clients.

Regulations of the US Department of Labor require that Hanlon offset against the advisory fees charged to a qualified plan certain commissions and fees that may be received by an associated person of Hanlon registered with PKS. That offset of fees is accomplished by applying a discount to the overall advisory fee charged by Hanlon to those plan participants whose accounts are managed by Hanlon.

## **Item 11. Code of Ethics**

Hanlon and persons associated with Hanlon are permitted to buy or sell securities that it also recommends to clients only when consistent with Hanlon's policies and procedures. Hanlon has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940, the Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Hanlon or any of its associated persons. The Code of Ethics also requires that certain of Hanlon's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

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When Hanlon is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Hanlon is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Hanlon to request a copy of its Code of Ethics.

### **Item 12. Brokerage Practices**

As discussed above, in Item 4, Hanlon generally recommends that clients utilize the brokerage and clearing services of Pershing and/or Schwab. Factors which Hanlon considers in recommending Pershing and Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Pershing and Schwab enable Hanlon to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

The commissions paid by Hanlon's clients comply with Hanlon's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified broker-dealer might charge to effect the same transaction. Hanlon determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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-dealers' services. The services reviewed are the value of research provided, execution capability, competitive commission rates, and responsiveness of the broker-dealer. Hanlon periodically and systematically reviews its policies and procedures regarding its recommendation of broker-dealers in light of its duty to obtain best execution.

The client may direct Hanlon in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer. Hanlon will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by Hanlon. As a result, the 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. Subject to its duty of best execution, Hanlon may decline a client's request to direct brokerage if, in Hanlon's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Hanlon in

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its investment decision-making process. Such research generally will be used to service all of Hanlon's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Hanlon does not have to produce or pay for the products or services.

### **"Batch" Transactions**

Transactions for each client generally will be effected independently, unless Hanlon decides to purchase or sell the same securities for several clients at approximately the same time. Hanlon may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Hanlon'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 generally be averaged as to price and allocated among Hanlon's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Hanlon determines to aggregate client orders for the purchase or sale of securities, including securities in which Hanlon's Supervised Persons may invest, Hanlon generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Hanlon does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Hanlon determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a very small allocation in one or more accounts, Hanlon may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Software and Support Provided by Financial Institutions**

Although not a material consideration when determining whether to recommend that a client utilize the services of Pershing or Schwab, Hanlon may receive from Pershing and Schwab, without cost, computer software and related systems support. Such services allow Hanlon to better monitor client accounts maintained at Pershing and Schwab. Hanlon may receive the software and related support without cost because Hanlon renders investment management services to clients that, in the aggregate, maintain a certain level of assets at Pershing or Schwab.

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Specifically, Hanlon may receive the following benefits from Pershing through its Investment Manager Services and from Schwab through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Investment Manager Services or Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Item 13. Review of Accounts**

Hanlon monitors clients' portfolios as part of an ongoing process with account reviews conducted periodically. Such reviews consist of system generated reports identifying Client accounts that may be out of tolerance for the allocation selected. On a quarterly basis the accounts are reviewed for performances falling outside the expected range. When such inconsistencies are discovered, the allocation, executed trades and other transactions of the account are analyzed by a staff member of Hanlon under the supervision of the Chief Investment Officer. Reviews may also be conducted with the Client by the referring solicitor. More frequent reviews may be triggered by a change in the investment objectives of the client such as tax considerations, large deposits or withdrawals, or the opinion of Hanlon that a tactical reallocation of accounts is appropriate.

All Clients are encouraged to discuss their needs, goals, and objectives with Hanlon and to keep Hanlon informed of any changes thereto. Hanlon contacts clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the accounts. Hanlon also provides clients with quarterly performance and billing reports.

### **Item 14. Client Referrals**

As disclosed in the written agreement between Client and Hanlon, Hanlon may pay a portion of the advisory fee to a solicitor who referred Client to Hanlon. Any such referral fee is paid solely from Hanlon's investment management fee, and does not result in any additional charge to the client. The solicitor is also required to provide the client with a copy of this disclosure brochure which meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940 and a copy of the solicitor's disclosure brochure containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Hanlon is required to disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this disclosure brochure at the time of the solicitation.

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### **Item 15. Custody**

Hanlon does not serve as a custodian of client accounts. Clients will receive statements, at least quarterly, directly from the broker-dealer, other custodian or a third party on their behalf for their account.

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

The agreements signed by the client gives Hanlon the authority to exercise discretion on behalf of clients. Hanlon is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Hanlon is given this authority through a limited power-of-attorney included in the agreement between Hanlon and the client. Clients may request a limitation on this authority (such as requesting that certain securities not to be bought or sold).

### **Item 17. Voting Client Securities**

Hanlon may vote client securities (proxies) on behalf of its clients. When Hanlon accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, all proxies will be voted consistent with guidelines established and described in Hanlon's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Hanlon to request information about how Hanlon voted proxies for that client's securities or to get a copy of Hanlon's Proxy Voting Policies and Procedures.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Hanlon maintains with persons having an interest in the outcome of certain votes, Hanlon takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

Hanlon has not attached a balance sheet for its most recent fiscal year because it does not require or solicit prepayment of more than \$1,200 in fees per client and six months or more in advance.