

HANMARU ASSET MANAGEMENT BROCHURE

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DISCLAIMER:

This *FIRM BROCHURE* provides information about the qualifications and business practices of Hanmaru Asset Management, LLC. If you have any questions about the contents of this *FIRM BROCHURE*, please contact us at (302) 384-9797.

The information in this *FIRM BROCHURE* has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hanmaru Asset Management, LLC is available on the SEC's website at www.adviserinfo.sec.gov (the CRD number for Hanmaru Asset Management, LLC is 168659).

NOTE:

While Hanmaru Asset Management, LLC may refer to itself as a "registered investment advisor" or "RIA". Clients should be aware that registration itself does not imply any level of skill or training.

MATERIAL CHANGES FROM PREVIOUS VERSION:

As this is the first *FIRM BROCHURE* (Form ADV Part 2A) prepared by Hanmaru Asset Management, LLC, no material changes exist since there have been no previous versions.

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ADVISORY BUSINESS

INTRODUCTION

Hanmaru Asset Management, LLC (hereafter “Hanmaru Asset Management”), is a fee-based investment adviser that offers two types of advisory services: *Portfolio Management Services* and *Financial Planning Services*.

Hanmaru Asset Management is a newly formed investment advisory firm, but the experience, education, and background of its principals and investment adviser representatives (hereafter “IA Reps”) can be found in the accompanying *BROCHURE SUPPLEMENT* document.

Hanmaru Asset Management’s principal owners are: Ronald Suh (hereafter “Suh”) and Sooyeoun Kim (hereafter “Kim”). Suh owns 51 percent and Kim owns 49 percent of Hanmaru Asset Management.

INITIAL CONSULTATION

Hanmaru Asset Management will begin by providing the Client a free initial consultation. Hanmaru Asset Management uses the initial consultation to:

- Introduce the Client to Hanmaru Asset Management’s firm, its services, and staff;
- Gather information about the Client’s investment objectives, financial condition, and risk tolerance, which Hanmaru Asset Management uses in forming its investment advice; and
- Reach an agreement on the terms of service and compensation arrangements.

The consultation must be completed before Hanmaru Asset Management will make any specific recommendations about the Client’s asset allocation or securities to buy or sell.

At the conclusion of the initial consultation, the Client will sign Hanmaru Asset Management’s *Investment Advisory Agreement*, which serves as the contract between the Client and Hanmaru Asset Management, specifying the precise nature of services to be rendered by Hanmaru Asset Management and fees to be paid by the Client.

PORTFOLIO MANAGEMENT SERVICES

If the Client elects *Portfolio Management Services*, the Client will have the choice of whether the portfolio management is performed on a discretionary or non-discretionary basis. Hanmaru Asset Management primarily seeks to manage Client accounts on a discretionary basis, but will also offer non-discretionary management services to those Clients that choose to enter their own transactions. Whether discretionary or non-discretionary, Hanmaru Asset Management will evaluate the Client’s financial condition and risk tolerance in order to tailor its securities recommendations to meet the Client’s investment objectives and individual needs. Hanmaru Asset Management also allows the Client to impose any restrictions on investing in certain securities or types of securities. Hanmaru Asset Management will make ongoing recommendations primarily involving: exchange-listed stocks, mutual funds, index funds, exchange-traded funds (ETFs), stock options, and bonds. However, in rare instances, Hanmaru Asset Management may recommend investments in private placement offerings. Hanmaru asset Management will not use margin or leveraged products. Given that the market will affect the value of these securities, Hanmaru asset Management will monitor Client accounts on a daily basis so that it may make any necessary transactions in discretionary accounts or make any necessary recommendations to Clients in non-discretionary accounts.

The securities mentioned above reflect a broad range of investment risk, including some securities that entail high degrees of risk, such as stock options. Private placement offerings also involve a high degree of risk that may not be suitable for the average investor.

Hanmaru Asset Management does not provide any “wrap programs” (programs that bundle brokerage and advisory services under a single comprehensive fee) so all securities recommended by Hanmaru Asset Management may include additional transaction charges by the Client’s broker-dealer/custodian separate from Hanmaru Asset Management’s advisory fees.

DISCRETIONARY PORTFOLIO MANAGEMENT

For discretionary accounts, the Client will grant Hanmaru Asset Management limited trading authority (discretionary authority) in the Client’s brokerage account by executing the appropriate documents with the Client’s broker-dealer/custodian. The discretionary authority will allow Hanmaru Asset Management to enter securities transactions on the Client’s behalf, determining which securities and the amount of securities to buy or sell. Clients will be notified of all transactions by trade confirmations from their broker-dealer/custodian and through communication with Hanmaru Asset Management.

Hanmaru Asset Management will also request the Client provide written authorization to allow Hanmaru Asset Management to automatically deduct its advisory fee from the Client’s account (discussed at greater length in the “FEES AND COMPENSATION” section on page 5 of this *FIRM BROCHURE*); however, Hanmaru Asset Management will not have the authority to make any other withdrawals from the Client’s account(s) under management. As all Clients will be recommended discretionary portfolio management, Hanmaru Asset Management anticipates the vast majority of its *Portfolio Management Services* will be rendered on a discretionary basis. With regard to current discretionary accounts, Hanmaru Asset Management had no discretionary assets under management at the time this document was prepared (31 July 2013) since it had not yet started operation at that time. Hanmaru Asset Management recommends the Client grant discretionary authority to Hanmaru Asset Management so that it may execute recommendations in a timely fashion, but Clients should always review their brokerage account statements to verify the trading activity and withdrawals that occur in their account(s).

NON-DISCRETIONARY PORTFOLIO MANAGEMENT

For non-discretionary accounts, Hanmaru Asset Management will prepare securities recommendations as it does for discretionary accounts, but will provide these recommendations to the Client directly so that the Client may enter the transaction on their own.

Since Hanmaru Asset Management will recommend all Clients grant it discretionary authority, Hanmaru Asset Management anticipates very little of its *Portfolio Management Services* to be rendered on a non-discretionary basis. With regard to current non-discretionary accounts, Hanmaru Asset Management had no non-discretionary assets under management at the time this document was prepared (31 July 2013) since it had not yet started operation at that time.

Since Hanmaru Asset Management merely recommends securities transactions for non-discretionary accounts, Clients should take measures to ensure that recommendations are executed in a timely fashion and should review their account(s) to ensure that transactions were entered properly.

FINANCIAL PLANNING SERVICES

If the Client elects *Financial Planning Services*, Hanmaru Asset Management may extend the initial consultation to include discussions necessary to begin creating a financial plan or may arrange a follow-up meeting to review additional information about the Client's finances.

In any case, the Client will have the choice to:

- (a) Consult with Hanmaru Asset Management on the Client's overall financial situation and obtain a comprehensive, written financial plan; or
- (b) Consult with Hanmaru Asset Management on a specific topic or an individual security.

As the *Comprehensive Financial Plan* option would include the opportunity to discuss any specific topic or any individual security, Hanmaru Asset Management recommends this option for all new Clients. For returning Clients that need to consult with Hanmaru Asset Management on a specific topic or individual security, they can do so during an *Annual Financial Plan Review* or engage Hanmaru Asset Management for a *Separate Financial Planning Consultation*.

COMPREHENSIVE FINANCIAL PLAN

Hanmaru Asset Management will review all aspects of the Client's finances to prepare a written financial plan that makes comprehensive recommendations to help the Client meet their financial objectives. These areas of analysis include: overall asset allocation, securities recommendations, insurance needs, mortgage planning, consumer debt, retirement planning, college planning, trust & estate planning, savings & budgeting, and tax plan.

Hanmaru Asset Management will compile this financial information and use it to construct a *Comprehensive Financial Plan* tailored to the Client's specific financial situation. The written financial plan will typically be constructed within a month, but will never take longer than six months. Clients can execute the *Comprehensive Financial Plan* on their own or Hanmaru Asset Management can assist in implementation. If *Portfolio Management Services* are recommended in the *Comprehensive Financial Plan*, Clients may engage Hanmaru Asset Management for those *Portfolio Management Services* as described above.

ANNUAL FINANCIAL PLAN REVIEW

As financial conditions or objectives change over time, Clients should engage Hanmaru Asset Management to review their financial plan annually. Largely, this review merely confirms the Client's financial information is accurate, evaluates whether the financial plan is reaching its goals, and makes any revisions needed. However, at this annual review, Clients may also raise new objectives or discuss other financial topics of their choice. Also, if Clients experience life-changing events, they may initiate an *Annual Financial Plan Review* earlier than the typical annual time frame.

SEPARATE FINANCIAL PLANNING CONSULTATION

If Clients need to consult with Hanmaru Asset Management outside of the initial consultation(s) that led to their *Comprehensive Financial Plan* and before their *Annual Financial Plan Review*, Clients may engage Hanmaru Asset Management on a limited basis. Hanmaru Asset Management is available through a *Separate Financial Planning Consultation* to make changes to a *Comprehensive Financial Plan*, discuss a specific financial topic, or evaluate a specific securities investment.

FEES AND COMPENSATION

MANAGEMENT FEE FOR PORTFOLIO MANAGEMENT SERVICES

Whether *Portfolio Management Services* are performed on a discretionary or non-discretionary basis, Hanmaru Asset Management charges the same management fee based on a percentage of assets under management. The percentage of assets charged per year (annum) is listed in the following table by assets level.

Asset level	Percentage of Assets Under Management
Under \$100,000	2 percent per annum
\$100,001 to \$500,000	1.75 percent per annum
Above \$500,001	1.5 percent per annum

Hanmaru Asset Management does not negotiate its management fee, but does offer discounts to select friends, employees and family. Hanmaru Asset Management charges the above management fee at the end of each calendar quarter. As the management fees are charged in arrears, Hanmaru Asset Management does not offer refunds as services have already been performed. For the first quarter a Client engages Hanmaru Asset Management or if a Client terminates the service during the quarter, the fee will be prorated for only those days that Hanmaru Asset Management rendered its services. For Clients that provide written authorization to their broker-dealer/custodian, Hanmaru Asset Management will arrange to have its management fee automatically deducted from the Client's brokerage account. In this case, the Client's broker-dealer/custodian will send statements, at least quarterly, to the Client that will reflect the advisory fee paid to Hanmaru Asset Management, but the Client should verify the accuracy of fees paid. Hanmaru Asset Management requests all Clients allow for the direct deduction of fees, but for those Clients that do not, Hanmaru Asset Management will send directly to the Client an invoice for Hanmaru Asset Management's fees. This invoice will require payment within thirty days after the mailing date on the invoice.

PLANNING FEES FOR FINANCIAL PLANNING SERVICES

For *Comprehensive Financial Plans* and *Annual Financial Plan Reviews*, Hanmaru Asset Management charges a fixed fee; however, for *Separate Financial Planning Consultations*, Hanmaru Asset Management charges an hourly fee.

Financial Planning Service	Fee type and Amount
Comprehensive Financial Plan	\$1,500 fixed fee
Annual Financial Plan Review	\$500 fixed fee
Separate Financial Planning Consultations	\$150 hourly fee

Hanmaru Asset Management may negotiate its fixed fee amount for *Comprehensive Financial Plans* based on the complexity of the financial plan. Typically, the standard financial plan takes 10 hours; those plans that take significantly less time may negotiate a lower fee while those financial plans that take significantly longer may be charged a slightly higher amount. Additionally, Hanmaru Asset Management may offer discounts to select friends, employees and family. The final amount will be specified in the *Investment Advisory Agreement*.

The fixed fees for *Annual Financial Plan Reviews* and the hourly rate for *Separate Financial Planning Consultations* are both non-negotiable. If the *Annual Financial Plan Review* or *Separate Financial Planning Consultation* finds that a new *Comprehensive Financial Plan* needs to be prepared and Clients engage Hanmaru Asset Management to do so, Clients will be charged for a new *Comprehensive Financial Plan* minus either the \$500 paid for the *Annual Financial Plan Review* or the total hourly fees charged for the *Separate Financial Planning Consultation*.

Hanmaru Asset Management charges the above financial planning fees upon delivery of the *Comprehensive Financial Plan* or the *Annual Financial Plan Review*. Hourly fees are charged at the conclusion of the *Separate Financial Planning Consultation*. As all the financial planning fees are charged in arrears, Hanmaru Asset management does not offer refunds as services will have already been performed. If a Client chooses to terminate *Financial Planning Services* before the product is delivered or service is complete, Hanmaru Asset Management will charge a prorated amount for the work completed and will deliver any work product completed.

If Financial Planning Clients have been recommended *Portfolio Management Services* and provide written authorization to their broker-dealer/custodian so that Hanmaru Asset Management can deduct its management fees directly from their brokerage account, those Clients may also opt to have their financial planning fees deducted from their brokerage account as well. In that case, the Client's broker-dealer/custodian will send statements, at least quarterly, to the Client that will reflect the advisory fees paid to Hanmaru Asset Management, but the Client should verify the accuracy of fees paid. Otherwise, Hanmaru Asset Management will include an invoice upon delivery of the *Comprehensive Financial Plan* or *Annual Financial Plan Review* or at the conclusion of the *Separate Financial Planning Consultation*. This invoice will require payment within thirty days after delivery.

OTHER COMPENSATION

In addition to the management and financial planning fees described above, individual IA Reps of Hanmaru Asset Management may also be licensed as insurance agents to sell insurance products and may receive insurance commissions for the sale of those insurance products.

This creates a conflict of interest and may offer IA Reps an incentive to recommend insurance products that produce insurance commissions for the IA Rep. When any such recommendations are made, IA Reps will disclose their commissions prior to completing any transaction and will obtain specific consent from the Client before purchasing any insurance product. Additionally, Clients always have the option to purchase insurance products through other agents not affiliated with Hanmaru Asset Management. Such insurance commissions will be a marginal part (approximately 10 percent) of the IA Reps' business as their primary focus will be the investment advisory business rather than their insurance business. Any insurance commissions will be charged separately through the insurance company or agency and remitted to the IA Rep in their capacity as an insurance agent. Hanmaru Asset Management will not receive any insurance commissions paid to its IA Reps.

Any insurance commissions will be in addition to the advisory fees and Hanmaru Asset Management will **not** reduce advisory fees for Clients that purchase insurance products through Hanmaru Asset Management's IA Reps. Aside from the insurance compensation described above, neither Hanmaru Asset Management nor any of its IA Reps will accept any compensation for the sale of securities or other investment products.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Hanmaru Asset Management does not charge performance-based fees (fees based on gains) and so none of its Clients' accounts will ever be managed side-by-side any performance-based accounts.

TYPES OF CLIENTS

Hanmaru Asset Management will provide advisory services to various types of Clients, including:

☐ **Individuals:** The majority of Hanmaru Asset Management's Clients will be individuals seeking financial planning and management services for their personal accounts. While *Financial Planning Services* can be provided regardless of account values, *Portfolio Management Services* will be restricted to individual accounts (or multiple accounts in one household) with a minimum value of \$20,000.

Note: Hanmaru Asset Management may waive the minimum for select friends and family.

☐ **Small Businesses and Non-Profits:** Occasionally, Hanmaru Asset Management will provide advisory services to small businesses and non-profits seeking financial planning or management services for their organization's interests. While *Financial Planning Services* can be performed for small businesses and non-profits with any amount of assets, *Portfolio Management Services* will be restricted to small businesses and non-profits with a minimum asset value of \$50,000.

Note: Hanmaru Asset Management may waive the minimum for select non-profits at Hanmaru Asset Management's discretion.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

For *Financial Planning Services*, Hanmaru Asset Management analyzes the Client's financial goals and objectives, income and spending, savings and investments, risks and insurance needs, asset allocation, and tax implications. This analysis seeks to ensure that the Client's needs are addressed while making progress toward their financial goals and objectives.

For *Portfolio Management Services*, Hanmaru Asset Management uses fundamental and technical analysis to determine the investments in a given portfolio. In its fundamental analysis, Hanmaru Asset Management seeks to determine the intrinsic value of equities based on a thorough analysis of the fundamental business factors of the given stock(s) at issue.

This includes: analysis of financial statements, earnings, dividends, management structure, competitive advantages, product offerings, competitors and markets. In essence, this method of analysis evaluates the overall condition of the company (or companies in a mutual fund or ETF) to determine whether it is a sound investment. Despite the fundamental analysis performed by Hanmaru Asset Management, any investment in securities carries market risk and investors may lose their principal investment.

In its technical analysis, Hanmaru asset management seeks to determine the future direction of prices through the study of past market data, primarily price and volume. This is done by charting the movement of investments to identify trends and patterns used in the selection of securities to purchase and price points to buy and sell. Hanmaru Asset Management uses a number of stock screeners and other software to chart and analyze the movement of various investments. Despite the technical analysis performed by Hanmaru Asset Management, any investment in securities carries market risk and investors may lose their principal investment.

For *Portfolio Management Services*, the investment strategies used will vary depending on the Client's financial goals and risk tolerance. Generally, Clients seeking capital preservation with limited risk will be managed with passive strategies using fixed income products (e.g. bonds) and index funds whereas Clients seeking growth with greater risk will be managed with active strategies using stocks, mutual funds, ETFs, and stock options.

While Hanmaru Asset Management will not engage in day-trading, active strategies may entail additional risk due to a greater frequency in transactions, which may involve additional brokerage fees, transaction costs, and taxes. Also, strategies that use options may entail additional risk as losses may exceed those seen in the underlying stock. Lastly, strategies that include private placement offerings entail greater risk as these offerings have limited regulatory oversight, have less liquidity, and depend on the due diligence of the investor or investment adviser.

DISCIPLINARY INFORMATION

Neither Hanmaru Asset Management nor any of its related persons (including management and IA Reps) have had any legal or disciplinary events in their past. Clients and prospective Clients can always view the CRD records (registration records) for Hanmaru Asset Management or any of its IA Reps through the SEC's Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov or through FINRA's Broker Check database online at www.finra.org/brokercheck if the IA Rep is also a broker-dealer agent. The CRD number for Hanmaru Asset Management is 168659 and the CRD numbers for management and IA Reps are listed alongside their biographical information in the accompanying *BROCHURE SUPPLEMENT* document.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

While Hanmaru Asset Management is not an insurance agency, IA Reps of Hanmaru Asset Management may be licensed as independent insurance agents and have affiliations with the various insurance companies whose products they sell. As IA Reps of Hanmaru Asset Management, Suh may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to Clients. When such recommendations or sales are made, a conflict of interest exists as Suh earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. Hanmaru Asset Management requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, Hanmaru Asset Management requires IA Reps to disclose that Clients may purchase recommended insurance products from other insurance agents not affiliated with Hanmaru Asset Management.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

CODE OF ETHICS

Pursuant to SEC Rule 204A-1, Hanmaru Asset Management has a Code of Ethics that promotes the fiduciary duty of Hanmaru Asset Management and its IA Reps. The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment adviser and its Clients and establishes policies and procedures to ensure that Hanmaru Asset Management and its IA Reps place the interests of the Clients first. The Code of Ethics requires that Hanmaru Asset Management and its IA Reps adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires Hanmaru Asset Management and its IA Reps follow industry “best practices” involving: confidential information, suitability of investments, personal trading on the part of Hanmaru Asset Management and its IA Reps, outside business activities of IA Reps, and the disclosure of conflicts of interest. A copy of the Adviser’s Code of Ethics is available upon request for any Client or prospective Client.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

While Hanmaru Asset Management has no proprietary interest in Client transactions, its IA Reps may have a financial interest in those recommended transactions that involve the purchase of an insurance product. As IA Reps of Hanmaru Asset Management, Suh may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to Advisory Clients. When such recommendations or sales are made, a conflict of interest exists as Suh will earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. Hanmaru Asset Management requires that all IA Reps disclose this conflict of interest when such recommendations are made. Also, Hanmaru Asset Management requires IA Reps to disclose that Advisory Clients may purchase recommended insurance products from other insurance agents not affiliated with Hanmaru Asset Management.

Additionally, IA Reps of Hanmaru Asset Management may have an interest in Client transactions insofar as they may personally invest in the same securities recommended to Advisory Clients. These transactions involve a conflict of interest as Hanmaru Asset Management or IA Reps may benefit from an increase in price from subsequent purchases by Advisory Clients. To address this conflict of interest, Hanmaru Asset Management and its IA Reps will adhere to the following procedures regarding their personal trading: (1) Client transactions will always be placed ahead of those for Hanmaru Asset Management, its management, and its IA Reps; (2) Hanmaru Asset Management and its IA Reps will mostly recommend investments that are widely traded; (3) In the rare instance where private placement offerings are recommended to Clients and an IA Rep also has an ownership interest in the private offering, full disclosure will be given so the Client fully understands that conflict of interest; and (4) Neither Advisory Clients nor IA Reps will have enough funds invested in any given security to move the market in that particular security.

BROKERAGE PRACTICES

Hanmaru Asset Management will recommend Some Discount Broker, LLC (hereafter “SDB”) to all Advisory Clients using Hanmaru Asset Management’s *Portfolio Management Services* and other Advisory Clients that request a recommended broker-dealer and custodian. Hanmaru Asset Management recommends SDB primarily for its relatively low transaction costs and Hanmaru Asset Management’s familiarity with its trading platform. Clients have no obligation to use SDB for the broker-dealer and custodian, but if Clients seek to have Hanmaru Asset Management manage their accounts on a discretionary basis, the Client’s chosen broker-dealer and custodian must allow Hanmaru Asset Management to have trading authority within the account.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS

While not a factor in Hanmaru Asset Management’s recommendation of SDB, SDB does offer proprietary research tools and publications created by SDB to their account holders. Hanmaru Asset Management will have access to these research tools and publications, which may be considered “soft dollar benefits” and constitute a conflict of interest. As Hanmaru Asset Management and its IA Reps have accounts at SDB, the benefits of the research tools and publications are already available to Hanmaru Asset Management regardless of the Client’s decision to invest with SDB. Hanmaru Asset Management will use SDB’s research tools and publications to service all Advisory Clients regardless of the broker-dealer/custodian they choose to use, but Clients who invest with SDB will also have their own access to the research tools and publications as SDB account holders. Again, Clients have no obligation to use SDB for their broker-dealer and custodian.

DIRECTED BROKERAGE AND AGGREGATED ORDERS

Hanmaru Asset Management will rely on SDB (or the broker-dealer/custodian selected by the Client) for the execution of transactions and will not direct trades to specific brokers. As such, Clients may not receive the lowest price possible if they were to have their trades directed to specific brokers. While Hanmaru Asset Management may make the same recommendations for similarly-situated Clients, Hanmaru Asset Management will not aggregate Clients’ orders.

REVIEW OF ACCOUNTS

For Portfolio Management Clients, Hanmaru Asset Management reviews all Clients’ account holdings daily, but reviews individual Client accounts on a quarterly basis in conjunction with calculating their management fees. *Portfolio Management* Clients are encouraged to meet with Hanmaru Asset Management at least once per year to review their account as a whole, ensuring that the management aligns with their current financial condition, goals and objectives. For Financial Planning Clients, Hanmaru Asset Management reviews the Client’s account in the initial preparation of a *Comprehensive Financial Plan* and may review the Client’s account during a *Separate Financial Planning Consultation*, but does **not** review those accounts again unless engaged for an *Annual Financial Plan Review*. Financial Planning Clients are encouraged to meet with Hanmaru Asset Management at least once per year to review their account as a whole, ensuring that their financial plan aligns with their current financial condition, goals and objectives.

CLIENT REFERRALS AND OTHER COMPENSATION

Hanmaru Asset Management may compensate other financial professionals (e.g. accountants, tax preparers) to refer their Clients to Hanmaru Asset Management for investment advisory services. The use of referral compensation may constitute a conflict of interest. For referrals that engage Hanmaru Asset Management for investment advisory services, Hanmaru Asset Management will compensate the financial professional a portion of Hanmaru Asset Management's fees.

Generally, this portion will be a one-time payment of 15 percent of the total fees initially collected. This would be 15 percent of the first quarter's management fee, 15 percent of the total fixed fee amount for a *Comprehensive Financial Plan*, or 15 percent of the total hourly charges for a *Separate Financial Planning Consultation*. Clients may not negotiate this compensation, but Clients will not be charged any higher fees when referred by a third party than when engaging Hanmaru Asset Management directly. Hanmaru Asset Management will only compensate financial professionals that are licensed as investment advisers or investment adviser representatives or demonstrate some exemption from licensing.

CUSTODY

Clients will engage an independent broker-dealer and custodian to maintain their accounts and so Hanmaru Asset Management will not have *physical* custody of Clients' assets, monies, or securities. However, since Hanmaru asset management may withdraw advisory fees directly from Clients' accounts (as described in the "FEES AND COMPENSATION" on pages 6 and 7 of this *FIRM BROCHURE*), Hanmaru Asset Management is considered to have custody in a limited capacity. Again, this custody is due solely to the direct withdrawal of fees and does not entail all of the same legal and regulatory requirements as an investment adviser with physical custody of Clients' assets, monies, or securities. Accordingly, Clients will only receive account statements from their broker-dealer and custodian (though Hanmaru Asset Management may send invoices or other communication).

INVESTMENT DISCRETION

As described in the "ADVISORY BUSINESS" section (pages 3-5 of this *FIRM BROCHURE*), Hanmaru Asset Management will have investment discretion for those Advisory Clients that elect *Discretionary Portfolio Management Services*. Clients will select this option specifically in Hanmaru Asset Management's *Investment Advisory Agreement* and will sign a trading authorization form with their broker-dealer/custodian. When Advisory Clients grant discretionary authority to Hanmaru Asset Management, Clients may still place restrictions on the advisor, such as a prohibition on investing in specific securities, industries, or markets that the Client chooses. Clients typically will provide written investment guidelines and/or restrictions that are often tailored to the specific strategy for which Hanmaru Asset Management has been retained to manage an account. Such guidelines include any other special instructions or limits the client wishes Hanmaru asset Management to follow in managing the account.

VOTING CLIENT SECURITIES

For any security that entails a voting right in the underlying company, Hanmaru Asset Management will not have or accept authority to vote Client securities. All voting issues, proxies, and solicitations will be communicated to Advisory Clients through the Client's broker-dealer/custodian. Upon request, however, Hanmaru Asset Management may help explain or answer questions regarding a given voting issue.

FINANCIAL INFORMATION

Hanmaru Asset Management would be required to disclose additional financial information if it were to charge fees in advance, but as described in the "ADVISORY BUSINESS" section (pages 3-5 of this *FIRM BROCHURE*), Hanmaru Asset Management charges all advisory fees in arrears, upon delivery of a plan, or at the conclusion of a consultation. In any case, Hanmaru Asset Management, its management and IA Reps have no material financial information (e.g. bankruptcies, liens, judgments) in their backgrounds.

Requirements for State Registered Advisors

This item is not applicable