

# **ADV DISCLOSURE BROCHURE (Form 2A)**

## **Item 1 – Cover Page**



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This Brochure provides information about the qualifications and business practices of Hochman Cole Investment Advisors, Inc (hereinafter, "HCIA"). If you have any questions about the contents of this Brochure, please contact us at (847) 559-0180. 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.

HCIA is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 8/2/2012 is a new document prepared according to the SEC’s new requirements and rules.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Lynn Hallen – Office Manager at (847) 550-0180 or [lhallen@hochmancole.com](mailto:lhallen@hochmancole.com). Additional information about HCIA is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with HCIA who are registered, or are required to be registered, as investment adviser representatives of HCIA.

There are no material changes in this brochure from HCIA’s last annual update filing in 2012. Material changes relate to HCIA’s policies, practices or conflicts of interest only.

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#### **Item 4 – Advisory Business**

HCIA is a fee-based SEC registered investment advisory firm specializing in retirement planning, investment management, tax planning, estate planning and risk transfer planning (insurance) for individuals and small businesses. The firm is 91% owned by Joel L. Hochman, CFP®, who co-founded the firm in 1986, and 9% owned by Philip J. Cole, CFP®. As of 11/2/12, HCIA manages \$200 million of assets on both a discretionary and non-discretionary basis.

#### **Item 5 – Fees and Compensation**

The annual fee for portfolio management services will be charged as a percentage of assets under management. Assets under management will be billed according to the following tiered-billing schedule:

\$0 - \$1,000,000	1.00% of Assets
\$1,000,001 - \$2,000,000	0.85% of Assets
\$2,000,001 - \$5,000,000	0.75% of Assets
\$5,000,001 - \$10,000,000	0.70% of Assets
Over \$10,000,001	0.60% of Assets

A minimum of \$500,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. HCIA may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Unless otherwise agreed, client accounts will be directly debited quarterly in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value) and weighting of the client's account at the end of the previous quarter.

Clients should note that the principal executive officers or advisors of HCIA may, from time to time, receive 12b-1 distribution fees from investment companies in connection with the placement of client funds into investment companies. Typically, advisory fees are discounted for 12b-1 fees earned.

**Financial Planning/Consulting**

Financial planning and consulting fees will be charged as a fixed fee, typically ranging from \$1,000 - \$10,000, depending on the nature and complexity of each client's circumstances. 50% of this fee will be due upon signing the financial planning or consulting services agreement, with the balance due upon presentation of the financial plan or consulting work to the client, however, advance payment will never exceed \$500 for work that will not be completed within six months.

Typically, for financial planning clients, the financial plan will be presented to the client within 90 days of the contract date, provided that all information needed to prepare the financial plan is promptly provided by the client.

There is a minimum fee of \$1,000 for financial planning/consulting services. This minimum fee may be negotiable in certain circumstances. In some cases, an hourly fee may be charged at a rate of \$400/hr.

**General Information**

**Fees:** In certain circumstances, fees and account minimums may be adjusted.

**Calculation of Fees:** The fee charged is calculated as described above. Fees are not charged on the basis of a share of capital gains, or capital appreciation of the funds. (Section 205(a)(1) of the Advisers Act).

**Transitioned Account Fees:** Client accounts transitioned from firms at which the principals of HCIA were employed prior to the formation of HCIA may be charged a fee different from the fee disclosed above because HCIA has decided to honor the fee schedule agreed upon between the client and the firm at which the account was previously serviced. This different fee schedule is not available to all or even most HCIA clients.

**Termination of Agreements:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty at any time. If the agreement is terminated prior to the end of the quarter, fees are refunded on a pro-rata basis based on the number of days remaining in the quarter that our services were not provided.

***Other Expenses:*** All fees paid to HCIA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of HCIA. In that case, the client would not receive the services provided by HCIA which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by HCIA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

In addition to HCIA's advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

***Class Actions, Bankruptcies and Other Legal Proceedings:*** HCIA will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of Proofs of Claim in class action settlements. If desired, clients may direct HCIA to transmit copies of class action notices to the client or a third party. Upon such direction, HCIA will make commercially reasonable efforts to forward such notices in a timely manner.

***Commissions, Incentives and 12b-1 Fees:*** If a client executes recommended securities transactions through associated persons of HCIA in their separate capacities as registered representatives of Cetera Financial Specialists LLC, a FINRA member firm, these individuals may earn commissions which are separate and distinct from fees charged for advisory services. If the traded security is also a managed asset on which advisory fees apply, then the trade will be placed at cost and additional commissions will not be charged unless unusual circumstances apply. Any additional commission to be charged will be disclosed to the client.

In addition, HCIA and/or its advisors may, from time to time, receive incentive awards for the recommendation/introduction of insurance products. Finally, as disclosed above, the advisors of HCIA may, from time to time, receive 12b-1 distribution fees from investment companies in connection with the placement of client funds into investment companies.

Typically, advisory fees are discounted for 12b-1 or incentive fees but are not discounted for

commissions earned by HCIA and/or its principal executive officers or associates nor are commissions credited toward future advisory fees.

Notwithstanding the above, advisory fees will always be offset for commissions or fees earned on securities transactions executed in pension, profit-sharing, 401(k) or other client accounts where to do otherwise would constitute a prohibited transaction under the provisions of ERISA or the Internal Revenue Code and where an exemption does not otherwise apply.

***Additional Compensation:*** If a client executes recommended securities transactions through associated persons of HCIA in their separate capacities as registered representatives of Cetera Financial Specialists LLC, a FINRA member firm, these individuals may earn commissions which are separate and distinct from fees charged for advisory services.

While these individuals endeavor at all times to put the interest of the clients first as part of HCIA's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

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

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

#### **Item 7 – Types of Clients**

HCIA provides portfolio management services to individuals, high net worth individuals, trusts and foundations. A minimum of \$500,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances.

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

### **Securities Analysis**

At Hochman Cole, we engage in a disciplined investment selection process consisting of fundamental analysis, technical analysis, and cyclical methods. Information is obtained from annual reports, prospectuses, SEC filings, press releases, financial publications, seminars and subscription services such as Morningstar. Because we are independent and privately owned, our recommendations are objective and impartial, and are not influenced by the demands and sales quotas that could be imposed by a corporate parent.

### **Investment Strategy**

At Hochman Cole, we believe that no single investment strategy will outperform the overall market every year. However, a diversified investment approach combined with a disciplined strategy has greater potential to outperform over time.

We believe that no two clients are exactly the same in terms of their investment goals or financial challenges. Every client with whom we work comes with a unique set of circumstances that must be considered when constructing an investment strategy. Risk tolerance, time horizon, liquidity requirements, tax circumstances and other assets must be factored in when designing a portfolio. Each portfolio ends up reflecting the individual client and is specific to his or her needs. As circumstances and markets change over time, we maintain close communications with our clients to ensure their portfolio continues to meet their changing needs.

Our highly customized portfolios are designed to produce consistent long-term investment performance while minimizing risk. We have the ability to diversify across a broad spectrum of investment products that may include stocks, bonds, Exchange Traded Funds (ETFs), mutual funds and private money managers, depending on our clients' personal goals.

### **Risk of Loss**

Investing in securities involves a risk of loss that advisory clients should be prepared to bear. If you are not prepared to bear the risk of loss, HCIA's advisory services may not be suitable for you.



**Cash Balances**

HCIA may hold all or a portion of client assets in money market instruments depending on the client's objectives as well as other conditions that may make it advantageous to do so either on a temporary or permanent basis.

**Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all facts regarding any legal or disciplinary events that would be material to your evaluation of HCIA or the integrity of HCIA's management. HCIA has no material facts to disclose applicable to this item.

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

The principal executive officers and associates of HCIA are separately licensed as registered representatives of Cetera Financial Specialists LLC (hereinafter, "CFS BD"), an unaffiliated, FINRA-registered broker dealer and as Investment Adviser Representatives of Cetera Investment Advisors LLC (hereinafter CIA). HCIA may recommend CFS BD to clients for brokerage services. As Registered Representatives, of CFS BD, the principal executive officers of HCIA may receive a portion of any mutual fund sales charges or brokerage commissions from the implementation of securities recommendations. In addition, as appropriate, HCIA may refer clients to CIA for advisory services not otherwise offered by HCIA. There are no referral fee arrangements, bonuses or incentive programs linked to referrals between HCIA and CFS BD, CIA. However, while acting in their separate capacities as registered representatives of CFS BD, these principal executive officers or advisors will be able to effect securities transactions for clients for which they will receive separate, yet customary, compensation. Similarly, should these principal executive officers or advisors provide investment advisory services to a client referred to CIA in their separate capacities as an Investment Adviser Representatives of CIA, they will receive separate, yet customary compensation from CIA as appropriate.

The principal executive officers and advisors of HCIA are also insurance agents or brokers for one or more insurance companies. As such, these individuals, in their separate capacities as insurance agents or brokers, will be able to provide insurance and insurance-related investment products (insurance) for clients, for which they will receive separate, yet customary compensation.

Clients, however, are not under any obligation to engage these individuals when considering

implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. While these individuals endeavor at all times to put the interest of the client first as part of HCIA's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations

HCIA may from time to time compensate, either directly or indirectly, any person (defined as a natural person or a company) for client referrals. HCIA is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by HCIA and all applicable Federal and/or State laws will be observed.

Referral fees may be paid to a registered representative of CFS BD who may also be a solicitor of HCIA. Additionally, CFS BD may receive a portion of the investment advisor fee. The client's fee will not be increased as a result of this referral fee being paid to these parties. Furthermore, the principal executive officers and support staff of HCIA are also registered representatives of CFS BD.

### **Item 11 – Code of Ethics**

HCIA has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at HCIA must acknowledge the terms of the Code of Ethics annually, or as amended.

HCIA anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which HCIA has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which HCIA, its affiliates and/or clients, directly or indirectly, have a position of interest. HCIA's employees and persons associated with HCIA are required to follow HCIA's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of HCIA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for HCIA's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of HCIA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt

transactions, based upon a determination that these would materially not interfere with the best interest of HCIA's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between HCIA and its clients. HCIA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Lynn Hallen.

It is HCIA's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. HCIA will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

### **Soft Dollars**

Hochman Cole Investment Advisors, Inc., as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

### **Portfolio Management Services**

HCIA does not have the discretionary authority to determine the broker-dealer to be used. The principal executive officers and associates of HCIA are separately registered as representatives of Cetera Financial Specialists LLC, a FINRA-member broker dealer unaffiliated with HCIA. Under FINRA Rules, CFS BD is required to supervise the securities trading activities of its representatives. Due to the administrative burden of attempting to supervise the securities trading

activities of its registered representatives through multiple brokers, CFS BD does not permit its registered representatives to place trades through other broker-dealers. As such, HCIA may not accept client accounts who do not agree to direct the use of CFS BD for securities transactions. Not all advisers require clients to direct the use of a particular broker dealer.

In directing the use of CFS BD it should be understood that HCIA will not have authority to negotiate ticket charges among various broker dealers or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients. In general, non-advisory clients are charged higher commissions. Clients should note, while HCIA has a reasonable belief that CFS BD is able to obtain best execution and competitive prices, HCIA will not be independently seeking best execution price capability through other broker-dealers.

### **Financial Planning/Consulting Services**

The principals and associates of HCIA are also separately registered as representatives of CFS BD, a FINRA-registered broker-dealer unaffiliated with HCIA. In general, HCIA will recommend the use of CFS BD, provided that this recommendation is consistent with HCIA's fiduciary duty to the client. Any commissions or other compensation received from the implementation of financial planning recommendations is separate and distinct from HCIA's advisory fee. No financial planning or consulting client is obligated to use CFS BD to implement any recommended transactions.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through these individuals, in their separate capacities as registered representatives (or insurance agents/brokers).

## **Item 13 – Review of Accounts**

### **Portfolio Management Services**

REVIEWS : While the underlying securities within Portfolio Management Services accounts are continuously monitored, these accounts are reviewed at least quarterly by Joel Hochman, President and/or Philip Cole, Vice President, of HCIA. Accounts are reviewed in the context of each client's investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Accounts are reviewed in random order. For non-discretionary accounts, this results in a random sequence for individual securities transactions. When trading identical securities across multiple discretionary accounts, we will generally do so with one aggregate trade, where each discretionary account receives the same execution price for that day.

REPORTS: In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker dealer, HCIA will provide quarterly reports summarizing account performance, balances and holdings.

### **Financial Planning/Consulting Services**

REVIEWS: These client accounts will be reviewed as contracted for at the inception of the advisory relationship.

REPORTS: Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for. Consulting Services clients will not typically receive reports due to the nature of the service.

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

Hochman Cole Investment Advisors, Inc., as a matter policy and practice, may compensate persons, i.e., individuals or entities, for the referral of advisory clients to the firm provided appropriate disclosures and regulatory requirements are met. At the present time, HCIA is not involved with any third party solicitors.

## **Item 15 – Custody**

As a matter of policy and practice, Hochman Cole Investment Advisors, Inc. does not permit employees or the firm to accept or maintain custody of client assets. It is our policy that we will not accept, hold, directly or indirectly, client funds or securities, or have any

authority to obtain possession of them. Hochman Cole Investment Advisors, Inc. will not intentionally take custody of client cash or securities.

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

HCIA manages securities accounts on a discretionary and non-discretionary basis (per Agreement). For non-discretionary accounts, all trades are discussed and pre-cleared with the account owner prior to execution. For discretionary accounts, investment decisions are delegated to HCIA without prior consultation from the client, subject, however to the investment policies and objectives of each client.

#### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, HCIA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. HCIA may provide advice to clients regarding the clients' voting of proxies.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about HCIA's financial condition. HCIA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.