



Hamilton Capital Management, Inc.

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Firm Brochure (Part 2A of Form ADV)

March 2015

This brochure provides information about the qualifications and business practices of Hamilton Capital Management, Inc. (“HCM” or “the Company”). If you have questions about the contents of this brochure, please contact us at 614/273-1000. 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 HCM is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2 - Material Changes

Since filing the annual amendment for updated Part 2A of Form ADV in March 2014, HCM has experienced no material changes to the company's advisory operations.

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Item 4 - Advisory Business

HCM was founded on October 1, 1997, and is primarily owned by R. Matthew Hamilton. As of December 31, 2014, HCM had approximately \$1.5 billion of assets under management serving over 1,500 clients. In addition, HCM provides investment management services to another \$15 million of assets either outsourced to a separate account manager or are being transitioned to one of HCM's proprietary strategies. The firm is led by an Executive Committee consisting of R. Matthew Hamilton, CFP, Chairman and CEO; Jeffrey Loehnis, CPA, CFP, President; Antonio Caxide, CFA, Chief Investment Officer; Timothy Montague, CPA, MT, CFP, Executive Vice President and Chief Operating Officer and William Leuby, III, JD, CPA, CFP, Senior Vice President & Chief Compliance Officer.

HCM offers the following services:

Investment Management

Investment Management is at the core of almost every service HCM provides. HCM serves as Chief Investment Officer to its clients by applying continuous oversight to the clients' portfolio within the context of a guiding investment policy statement developed mutually with the client. Managed portfolios are supervised using HCM's dynamic forward-looking investment process.

Wealth Management

HCM helps individual clients build and manage wealth through the skillful integration of long-range planning strategies and professional investment management.

HCM provides Financial Advisory Services which include a review, evaluation and analysis of a client's financial situation. Reports are generated and recommendations are made for client in the areas of cash flow planning, debt structure planning, education planning, investment planning, insurance planning, income tax planning, retirement planning and forecasting, estate and wealth transfer planning and many other areas.

HCM offers Investment Advisory Services to clients tailored to their individual circumstances. The firm offers several proprietary strategies to clients or can offer customized solutions. For client accounts for which HCM cannot directly manage the accounts, HCM will monitor and report on these accounts and will make formal investment recommendations and implementations where possible regarding such accounts. Clients are not required to utilize any other services of the firm.

Services to Fiduciaries

HCM serves as advisors to corporations, foundations, endowments, retirement plans and family trusts in the governance and management of their investment portfolios. In addition, HCM can assist fiduciaries in developing clear portfolio objectives and written investment policies and procedures. That includes counseling and supporting clients with:

- Custodian selection
- Manager searches
- Performance measurement and evaluation systems
- Economic and financial market outlooks
- Board member education
- Constituent communication programs

HCM provides these services on a consulting basis or in a direct advisory capacity overseeing a comprehensive investment management and support program.

401(k) Plans

HCM provides advisory services for 401(k) plans, whether the investment portfolios are trustee or participant directed. For plans where participants direct their own investment accounts, HCM offers strategies with actively managed asset allocations. Selections recommended by HCM provide a strategy for most every participant's

circumstance and addresses the breadth of the risk/return spectrum and fit within the safe harbor provisions of ERISA 404(c). HCM also provides a Qualified Default Investment Alternative (QDIA) to further protect plan fiduciaries.

HCM's services were developed to provide an alternative to the "menu" format of many plans that forces non-expert participants into the potentially undesirable role of managing their own asset allocations by choosing among a select group of funds. In addition, HCM provides an alternative to plans utilizing Target Date funds and Model Portfolios by designing actively managed asset allocation plans to adjust to opportunities and risks that emerge in the financial markets. HCM's role is to make the necessary investment decisions to take advantage of investment opportunities, attempt to minimize risks and make investment decisions on behalf of the participant after the participant has selected the appropriate strategy.

Financial Planning and Non-Investment Consulting/Implementation Services

To the extent requested by the client, HCM may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither HCM, nor any of its representatives, serves as an attorney, accountant or insurance agent to any HCM client, and no portion of HCM's services should be construed as same. To the extent requested by a client, HCM may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and may accept or reject any recommendation from HCM. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify HCM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing/evaluating/revising HCM's previous recommendations and/or services.

Please Note: Use of Mutual Funds. Most mutual funds are available directly to the public. A prospective client can obtain many of the mutual funds that may be recommended and/or utilized by HCM independent of engaging HCM as an investment advisor. However, if a prospective client determines to do so, they will not receive HCM's initial and ongoing investment advisory services.

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

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

Please Note: Retirement Rollovers-No Obligation/Conflict of Interest. A client or prospective client is under absolutely no obligation to engage HCM as the investment adviser for their employer sponsored retirement account. Rather, a client can continue to self-direct their retirement account at their employer. If the client determines that they would like HCM's assistance, HCM shall charge a separate and additional advisory fee for its ongoing advisory services. The client will not incur this separate and additional advisory fee if they determine to continue to self-direct their account. Any recommendation by HCM that a client engage HCM to manage their retirement account presents a conflict of interest since HCM shall derive an economic benefit from such engagement. Again, a client is under absolutely no obligation to engage HCM as the investment adviser for their retirement account.

ByAllAccounts. HCM, with the services provided by ByAllAccounts, may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets not part of the assets managed by HCM (the "Excluded Assets"). **The client and/or their other advisors that maintain trading authority, and not HCM, shall be exclusively responsible for the investment performance of the Excluded Assets.** HCM's service relative to the Excluded Assets is limited to reporting and non-

discretionary consulting services only, which does not include investment implementation. HCM does not have trading authority for the Excluded Assets. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not HCM, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. HCM shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. If the client desires that HCM provide discretionary investment management services (whereby HCM would have trading authority) regarding the Excluded Assets, the client may engage HCM to do so under the terms and conditions of the *Investment Advisory Agreement* between HCM and the client.

Item 5 - Fees and Compensation

Fees for Integrated Services

While fees are negotiable, HCM has adopted the following fee guidelines for new clients that engage HCM to provide its Integrated Services. Integrated Services is where HCM will provide both Investment Advisory Services on a discretionary basis, for certain client portfolios, and Financial Advisory services. This fee schedule does not consider those clients that have engaged HCM to provide only Investment Advisory Services or only Financial Advisory Services, as described above. Fees are :

1.20% of the first \$500,000;
1.00% of the next \$1,500,000
0.75% of the next \$2,000,000; and
0.55% on all amounts thereafter

Clients seeking HCM to provide Integrated Services typically must have assets exceeding \$300,000. HCM, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its aggregate account minimum 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, negotiations with client, etc.). Fees may be assessed when HCM provides Financial Advisory Services, as described above, even though HCM may not have direct access to the Client's assets at that time.

In certain circumstances deemed appropriate by HCM, financial advisory services beyond traditional financial advisory services provided through the Integrated Services may be provided on either an hourly charge in effect when the services are performed or on a pre-established fixed fee. These fees are based on the expected complexity of the analysis and the resulting recommendations, and the anticipated time to achieve the desired objectives. Examples would include fundamental changes in a client's life circumstances, sale of a business or professional practice, development of a complex charitable giving strategy, succession planning, death, divorce, career changes or relocation, and assistance with Employee Stock Ownership Plans. Under certain circumstances, as agreed upon between Client and HCM, payment of fees may be advanced for services to be performed, but in no event, for over six months in advance.

Fees for Investment Advisory Services

Fees for Investment Advisory Services are negotiable, most often based upon an annual percentage of the net asset value of client's Account, and charged according to a sliding scale. The fees are determined considering the time and costs associated with the supervision of the client's assets

In certain cases, HCM may charge advisory fees up to 2.00% of assets under management and are not less than 0.25% of the net asset value of the client's Account on an annual basis, which is negotiable. There may be certain instances in which fees are waived.

Fees for Financial Advisory Services

Financial Advisory Services may be provided on a fee basis, based on either an hourly charge or on a pre-established fixed fee. Fees are based upon the expected complexity of the analysis and the resulting recommendations, and the anticipated time to achieve the desired objectives. HCM's hourly charges range from \$60 to \$350 per hour depending on the professional performing the services. Clients may terminate its agreement

with HCM at any time and receive a refund of any funds not yet earned.

Fees for Institutional Services and 401(k) Plans

HCM may charge up to 0.15% of assets annually for consulting services related to institutional accounts. Fees for institutional clients that engage HCM for active management of these accounts range up to 0.55%.

Advisory fees charged for 401(k) plans rarely exceed 1.50% of assets under management on an annual basis with a minimum account size of \$300,000.

Fees for services provided to both institutional and 401(k) plans are negotiable at the discretion of HCM depending on the size of the assets to be managed and service to be provided.

General Information on Fees

Fees for the Integrated Services and Investment Advisory Services are generally billed quarterly in advance and directly debited from client custodial accounts with a few clients paying HCM directly by check. Quarterly fees are calculated by applying the annual fee schedule to the value of the accounts covered by the client's agreement with HCM at the end of each prior calendar quarter. HCM will value assets using the quarter end balance for assets held in accounts for which the HCM has direct access to the client's account information. For accounts under advisement where the HCM relies on the client to provide quarterly account statements for assets under advisement, HCM will bill on the most recent account balance information provided by the client. Initial fees for new client accounts are pro-rated to the end of the initial quarter. Likewise, fees for contributions to existing client accounts are pro-rated to the end of the current quarter at the discretion of HCM. Also, if an Integrated Services or Investment Advisory relationship is terminated in the middle of a quarter and HCM has received compensation for its services for the quarter, it shall be HCM's practice to refund the unearned portion of its fees to client. Due to the associated administrative costs involved, HCM's Integrated Services and Investment Advisory Services fees are not refundable if a client withdraws only a portion of the funds in the client's account during a given quarter.

Besides the foregoing fee arrangement, if the client's assets are invested in a mutual fund or variable annuity separate accounts, the fund's or separate account's investment advisor will also receive an investment advisory fee. This fee will vary depending upon the mutual fund or separate account. These amounts are deducted from the mutual fund or separate account's assets before determining the net asset value of each share of the fund or separate account. Also, the fund or separate account may incur certain other administrative expenses. These amounts will vary from fund to fund or separate account to separate account and are deducted from the mutual fund's or separate account's assets before determining the net asset value of each share of the fund or separate account. It should be understood that the client would not pay HCM an annual advisory fee if the client invested directly with each mutual fund or variable annuity contract. In certain situations, clients transacting in over-the-counter securities will pay an agency commission besides a markup or markdown on the security.

Applying a minimum or flat fee on small accounts may cause an annual fee that exceeds the percentage of the net asset value of the client's portfolio as stated in their agreement. Therefore, investment advisory services for smaller accounts may be available from another investment advisor at a lesser fee. Some clients may be charged a flat fee. In rendering services, HCM may waive certain out-of-pocket expenses associated with servicing the client's account including travel expenses. Significant out-of-pocket expenses may be the client's responsibility which will be communicated to the client and billed separately.

Clients may establish an account with any investment company group or insurance company offering insurance or annuity contracts whose services are compatible with HCM. While HCM and its advisory representatives are not licensed nor appointed to sell any insurance or annuity products, it may suggest the establishment of such accounts with certain investment company group(s) or insurance company(ies) that it is familiar and works with. HCM's objective in suggesting an investment company group or insurance company is not to recommend that company or any of its products, but rather to make the client aware of which companies it knows of that fit what it and the client are trying to achieve. For example, HCM might suggest an insurance company that sells a no-load (no commission) variable annuity product that has an adequate selection of suitable investment companies and execution capabilities compatible with the systems of HCM. Clients who designate the use of a particular investment company group, insurance or annuity product, other than those suggested by HCM should understand

that (a) the client may pay a commission to purchase investment company shares, insurance or an annuity contract which other clients of HCM may not pay; (b) the investment performance of client's account may be worse than other clients of HCM with similar risk tolerance; and (c) clients may not enjoy as efficient an execution as they might have had if they had not made such a designation.

HCM may maintain various levels of access to client accounts to provide management services to client accounts. HCM may access client accounts through the client's on-line username and personal identification number ("PIN") and/or through fee liquidation authorization forms signed by the client. This may give HCM the ability to obtain possession of or to appropriate client funds or securities in accounts managed by HCM and in non-managed related accounts accessible through this personal information. Clients should carefully monitor their accounts for any erroneous or unauthorized transactions or withdrawals.

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

HCM charges no performance fees. Some investment advisers experience conflicts of interest with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to HCM.

Item 7 - Types of Clients

HCM provides Investment Advisory Services to individuals, business entities and corporations, foundations, endowments family trusts and qualified and non-qualified retirement plans. HCM typically requires a minimum account size of \$300,000; however, the minimum is negotiable and has been adjusted for certain clients.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Client, in consultation with HCM, chooses the investment strategy(ies) the firm is to employ. Most strategies will primarily invest in mutual funds (actively managed or indexed-type, passively managed) or the separate accounts of variable annuity contracts; in exchange-traded funds ("ETFs") or similar vehicles. In addition, for selected client accounts, HCM may implement a fixed income strategy that focuses on individual debt securities.

HCM emphasizes a top-down, macro-economic approach to portfolio management. For all our strategies, HCM starts with an assessment of global macro-economic and political conditions. Then, this is followed by an assessment of valuations, and expected return and risk for a range of asset classes (e.g., US Small Cap stocks or non-US Emerging Market debt) and risks (e.g., Duration or Interest Rate risk), in the US and abroad. HCM runs a range of scenarios to understand risks to the base case. Portfolios are constructed to reflect our analysis of both our base case ranking of returns for various asset classes/risks and the outcome of other scenarios.

Implementation of any investment plan involves varying degrees of risk and potential for loss, dependent on the specific investment goals and risk tolerances of each client.

Strategies that primarily invest in mutual funds, ETFs or the separate accounts of variable annuity contracts primarily seek or emphasize either portfolio growth, portfolio income or a combination of portfolio growth and income. Within the context of these objectives (growth, income or a combination thereof), a client may select an asset allocation strategy that focuses on balancing return and market risk. It is expected that the great majority of the firm's clients will employ this strategy, or strategies, which will from time to time seek to reduce the market risk associated with equity and fixed-income investments by reducing or eliminating certain investment positions in mutual funds or separate accounts that primarily invest in equity, debt securities or other assets expected to have exposure to greater price volatility or risk of loss.

In most circumstances, HCM has investment discretion over the accounts it supervises. Therefore, the firm usually issues investment instructions to the custodian(s) of its clients' accounts without prior consultation with client. Investment instructions given by HCM follow the general goals and objectives of the investment

strategy(ies) that is selected by client. However, HCM will accommodate a client's individual instructions regarding the firm's supervision of client's account.

HCM provides a service to assist new clients in transitioning from existing portfolios largely comprised of one or a few stocks and/or bonds to a more broadly diversified portfolio designed to meet stated financial objectives without taking undue risks. Strategies may be developed to sell portions of these security positions or, in other cases; it may involve using an appropriate exchange partnership, which would allow clients to diversify their holdings without selling their appreciated securities and triggering income taxes. In other situations, we may use option strategies to protect gains even when publicly traded options are not available.

Risk of Loss - General

All investing involves a risk of loss and the investment strategy offered by HCM could lose money over short or even long periods. Performance could be negatively affected by several different market risks including, but not limited to, the portfolio management techniques used by HCM which may not produce the desired results. This could cause accounts to decline in value. HCM selects investments based, in part, on information provided by issuers to regulators or made directly available to HCM by the issuers or other sources. HCM is not always able to confirm the completeness or accuracy of such information, and sometimes, complete and accurate information is not available. Incorrect or incomplete information increases risk and may cause losses.

Potential Risks of Investing in Securities Purchased in Mutual Funds, ETFs, and by Investment Managers.

Stock Market Risk - Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

Foreign Securities Risk - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

Interest Rate Risk - Bonds also experience market risk because of changes in interest rates. Generally if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

Credit Risk - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. This risk may also affect the "spread" or yield premium these bonds require over low risk reference securities. Even if bonds do not default, investors' fear of default may lead to fluctuations in this spread that act much like rises and falls in interest rates. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk and generally pay a higher level of income to investors.

Liquidity Risk - Liquidity risk exists when a particular security or vehicle is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets.

Call Risk - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Holders of such callable

securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. After a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security called.

Objective/Style Risk - All of the mutual funds and investment managers are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund or manager invests will trail the returns of the overall market.

U.S. Government Agency Securities Risk - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity cannot meet its obligations, the securities of the entity will be adversely affected.

Third Party Investment Management Risk - HCM will not have a role in the management of clients' third-party managed accounts and it will likely not evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return to clients could significantly depend upon the choice of investments and other investment and management decisions of third-party managers. Returns could be adversely affected by unfavorable performance of such managers. Further, HCM depends on third-party managers to develop the appropriate systems and procedures to control operational risks.

Item 9 - Disciplinary Information

HCM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10 - Other Financial Industry Activities and Affiliations

HCM and its employees have no relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

To avoid any potential conflicts of interest involving personal trades, HCM has adopted a Code of Ethics ("COE"), which includes policies and procedures for personal trading and insider trading. HCM's COE requires that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of HCM above one's own personal interests;
- Adhere to the fundamental standard that an employee should not take inappropriate advantage of their position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on oneself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals; and

- Comply with applicable provisions of the federal and state securities laws.

HCM's COE also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide HCM with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of HCM's COE is available to any client or prospective client upon request.

Item 12 - Brokerage Practices

If the client requests that HCM recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct HCM to use a specific broker-dealer/custodian), HCM recommends that investment management accounts be maintained at Charles Schwab & Co., Inc. ("Schwab"). Prior to engaging HCM to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with HCM setting forth the terms and conditions under which HCM shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

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

Research and Additional Benefits

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

Certain support services and/or products that *may* be received may assist HCM in managing and administering client accounts. Others do not directly provide such assistance, but assist HCM to manage and further develop its business enterprise.

HCM's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* because of this arrangement. There is no corresponding commitment made by HCM to *Schwab* or any other entity to invest any amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

HCM's Chief Compliance Officer, William A. Leuby, JD, CPA, CFP, remains available to address questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

Directed Brokerage: HCM rarely accepts directed brokerage arrangements. In such directed arrangements, the client directs HCM to utilize a specific broker-dealer for account transactions. The client will negotiate the terms and arrangements for client's account with the client's directed broker-dealer, and we will not seek better execution services or prices from the client's directed broker-dealer or be able to "batch" client's transactions with orders for other accounts that we manage. 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. **Please Note:** if the client directs HCM to effect securities transactions for the accounts through a specific broker-dealer, the client correspondingly acknowledge that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through HCM. Higher transaction costs adversely affect account performance.

There may be instances in which HCM will purchase fixed income securities from a broker or dealer other than the one chosen by the client to custody the client's assets. This is due to the client's custodian possibly having insufficient inventory or less attractive prices in the fixed income securities desired. HCM has relationships with various brokers and dealers we believe can frequently offer sufficient inventory competitively priced. HCM uses its discretion to determine not only which fixed income securities to purchase and sell, but also which brokers and dealers offer the "best execution" for HCM's clients. Brokers and dealers trading fixed income securities for HCM's clients may charge a markup or mark down on the security, an agency commission, or both. When appropriate, however, HCM will execute blocked purchase or sells in fixed income securities to gain improved pricing. The securities are then transferred to the client's chosen custodian who may charge the client a "trade away" fee.

Any trade errors identified will be corrected to ensure each client is made whole as if the error did not occur. If a loss occurs greater than \$100, HCM will cover the loss, while Schwab will cover the loss if it is less than \$100. Transactions executed to correct an error resulting in a gain greater than \$100 will remain in the affected client account unless the same error involved other client accounts that should receive the gain or it is not permissible for a client to retain the gain. Gains less than \$100 will be kept by Schwab. If a client cannot retain the gain they must sign and send a form to Schwab stating such and Schwab will donate any amount over \$100 to charity and keep any portion less than that amount to minimize and offset administrative expenses related to correcting the error.

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. All clients participating in each aggregated order shall receive the average price and subject to minimum ticket charges..

Item 13 - Review of Accounts

Members of the Executive Committee are responsible for the financial and investment advisory services, the client relationships and the coordination of client services for approximately 1,500 clients. Financial advisory services are reviewed and updated only as agreed upon with the client, either on a periodic basis or upon changes in the client's financial situation or investment objectives as communicated by the client to HCM.

Each account receiving Integrated Services or Investment Advisory Services are reviewed as frequently as necessary. The client's investment account, their investment objectives, the continued appropriateness of the investment strategy selected by the client and the client's tolerance for risk are reviewed with the client on a schedule jointly agreed upon between the client and the HCM employee responsible for the relationship with the client.

Once per quarter, clients receiving Integrated Services or Investment Advisory Services are provided with a statement outlining the value of their account. Accompanying this statement is an inquiry seeking to ascertain

whether a client's investment objectives, financial circumstances or personal needs have changed. Clients are requested to contact the firm if there is a change in their investment circumstance. Generally, an officer of HCM is available during normal business hours to discuss these changes and to take all appropriate actions.

Reviews of the investment positions in a client's account are conducted as is necessary. The performance of all securities owned in a client's account in conjunction with a given investment strategy(ies) is reviewed on a timetable consistent with the objectives of the strategies. If a change of investment position is dictated in a client's account and HCM has discretionary authority to direct trades in that account; then instructions are given by HCM to the custodian broker, investment company, or insurance company to execute the appropriate change of investment position. These instructions are given without prior consultation with the client. If a change of investment position is dictated in a client's account and HCM does not have the discretionary authority to direct trades in that account, then the client is responsible to provide investment instructions to their custodian broker, investment company or insurance company.

Besides confirmations of purchases and sales and monthly/quarterly account statements clients receive from the custodian of their account(s), all investment advisory clients are furnished with an appraisal of their portfolio assets by HCM at the end of each calendar or fiscal quarter. Additional reports relative to account performances and transactions are provided on a client by client basis as needed or requested.

Item 14 - Client Referrals and Other Compensation

HCM currently receives client referrals from Schwab through HCM's participation in the Schwab Advisor Network™ ("the Service"). HCM pays Schwab a Participation Fee on all referred clients' accounts maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts maintained at, or transferred to, another custodian. The Participation Fee paid by HCM is a percentage of the fees the client owes to HCM or a percentage of the value of the assets in the client's account. HCM pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to HCM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by HCM and not by the client. HCM does not currently charge clients referred through the Service fees or costs greater than the fees or costs HCM charges clients with similar portfolios not referred through the Service. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees HCM generally would pay in a single year.

In addition, Schwab may provide financial support to HCM in relation to educational and client outreach events sponsored by the Company for the benefit of HCM's current and prospective clients.

HCM will have incentives to encourage clients and household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit HCM's fees directly from the accounts.

From time to time, HCM contracts with other unrelated third parties ("solicitors") to use its best efforts on behalf of HCM to solicit and refer as clients those individuals or entities which it believes are suitable and appropriate for the advisory services provided by HCM. These agreements typically provide for a percentage of the fees collected by HCM to be paid to the solicitors from those advisory clients who became clients because of the solicitor's efforts. Subject to existing federal and state securities laws and regulations, solicitors receive such fees on a fully vested basis, so long as the client's advisory agreement remains in effect. Such agreements are usually for an unspecified duration and are terminable upon notice. Besides employees achieving other performance based criteria, HCM may compensate employees for soliciting new advisory clients for HCM. This compensation, which may include cash payments, is paid under written agreements with employees.

Item 15 - Custody

HCM does not take physical custody of client funds or securities. Instead, client selects either a mutual fund

group(s), variable annuity contract(s) or a custodian broker from those designated by HCM as being compatible with the investment strategy(ies) selected by client.

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but HCM can access many clients' accounts through its ability to debit advisory fees. Notwithstanding, HCM is not deemed to have custody of client assets because account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by HCM.

Item 16 - Investment Discretion

HCM is typically granted discretion by limited power of attorney to select the amount and nature of securities purchased and sold in relation to those investment strategies selected by client for whom HCM provides a continuous and regular service. Sometimes, margin balances may be initiated by the client, either through securities purchases or by writing a check for an amount which is greater than the cash available in the account.

At the inception of each client relationship or upon request, HCM will document any client requested restrictions to apply to the management of their account. Due to the additional care required by client accounts for which restrictions have been applied, HCM will typically execute transactions for these accounts after transactions have been submitted for accounts without such restrictions.

Item 17 - Voting Client Securities

HCM will not exercise proxy or class action voting authority over client securities. The obligation to vote client proxies and class actions shall rest with the client. Client shall in no way be precluded from contacting HCM for advice or information about a particular proxy or class action vote. However, HCM shall not be deemed to have voting authority solely because of providing such advice to the client.

Should HCM inadvertently receive proxy or class action information for a security held in client's account, then HCM will immediately forward such information on to client, but will take no further action regarding voting such proxy or class action. Upon termination of its Agreement with the client, HCM shall make a good faith and reasonable attempt to forward proxy or class action information inadvertently received by HCM on behalf of the client to the forwarding address provided by the client to HCM.

Item 18 - Financial Information

HCM has never filed for bankruptcy and is not aware of any financial condition expected to affect its ability to manage client accounts. HCM does not require prepayment over six months or more in advance for any services provided.

QUESTIONS: HCM's Chief Compliance Officer, William A. Leuby, JD, CPA, CFP, remains available to address any questions regarding this Part 2A.