

# **Hatton Consulting, Inc.**

SEC File Number: 801 – 60580

## **ADV Part 2A, Firm Brochure**

**Dated: May 4, 2016**

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This Brochure provides information about the qualifications and business practices of Hatton Consulting, Inc. (“Hatton Consulting”). If you have any questions about the contents of this Brochure, please contact us at (602) 852-5520 or [thatton@hattonconsulting.com](mailto:thatton@hattonconsulting.com). 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 Hatton Consulting, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Hatton Consulting, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

The material changes in this brochure from the last annual updating amendment of Hatton Consulting, Inc. on March 2, 2016 are described below. This list summarizes changes to policies, practices or conflicts of interests only.

- Timothy M. Hatton became the Chief Compliance Officer.

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#### Item 4            Advisory Business

- A. Hatton Consulting is an Arizona corporation formed on May 15, 2001. Hatton Consulting became registered as an Investment Adviser Firm in September 2001. Hatton Consulting is owned by Timothy M. Hatton, Hatton Consulting's President.
- B. As discussed below, Hatton Consulting offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Hatton Consulting to provide discretionary investment advisory services on a *fee-only* basis. Hatton Consulting's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Hatton Consulting's management. Before Registrant provides investment advisory services, an investment adviser representative will ascertain each client's investment objectives. The Registrant will then allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Hatton Consulting *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Hatton Consulting's planning and consulting fees are negotiable, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Hatton Consulting to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Hatton Consulting setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Hatton Consulting commencing services. If requested by the client, Hatton Consulting may recommend the services of other professionals for implementation purposes. 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 is free to accept or reject any recommendation from Hatton Consulting. **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 Hatton Consulting if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Hatton Consulting's previous recommendations and/or services.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Hatton Consulting *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Hatton Consulting, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of Hatton Consulting's services should be construed as same. To the extent requested by a client, Hatton Consulting 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 is free to accept or reject any recommendation from Hatton Consulting. **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 Hatton Consulting if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Hatton Consulting's previous recommendations and/or services.

**Dimensional Fund Advisors.** Hatton Consulting may purchase mutual funds sponsored by Dimensional Fund Advisors ("DFA") for client accounts. DFA funds are available exclusively through registered investment advisors, such as Hatton Consulting. Accordingly, upon termination of the *Investment Advisory Agreement*, DFA funds will be subject to sale unless they are transferred to another registered investment advisor who has access to DFA funds.

**Private Investment Funds.** Hatton Consulting may provide investment advice regarding private investment funds. Hatton Consulting's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Hatton Consulting calculating its investment advisory fee. **Hatton Consulting's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).**

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that Hatton Consulting references private investment funds owned by the client on any supplemental account reports prepared by Hatton Consulting, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If the fund sponsor does not provide a post-purchase valuation, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date) or the current value(s) (either the initial

purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects the initial purchase price (and/or a value as of a previous date), then the current value(s) (to the extent ascertainable) **could be significantly more or less than original purchase price.** The client's advisory fee shall be based upon such reflected fund value(s).

**Sub-Advisory Arrangements.** Hatton Consulting may engage sub-advisors for the purpose of assisting Hatton Consulting with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by Hatton Consulting. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by Hatton Consulting. Hatton Consulting shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Hatton Consulting's Chief Compliance Officer, Timothy M. Hatton, remains available to address any questions concerning Hatton Consulting's sub-advisory arrangements.

**Retirement Plan Rollovers-No Obligation/Conflict of Interest:** A client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in his/her former employer's plan, if permitted, (ii) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, (iii) rollover to an IRA, or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). The Registrant may recommend an investor roll over plan assets to an Individual Retirement Account ("IRA") managed by the Registrant. As a result the Registrant and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to the Registrant (unless clients engage the Registrant to monitor and/or manage the account while maintained at his/her employer). The Registrant has an economic incentive to encourage an investor to roll plan assets into an IRA that the Registrant will manage **or** to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. There are various factors that the Registrant may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus the Registrant's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. **No client is under any obligation to rollover plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Timothy M. Hatton, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**Use of Mutual Funds.** Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive the benefit of Registrant's initial and ongoing investment advisory services.

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

**Disclosure Statement.** A copy of Hatton Consulting's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. Hatton Consulting shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Hatton Consulting shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Hatton Consulting's services.
- D. Hatton Consulting does not participate in a wrap fee program.
- E. As of December 31, 2015, Hatton Consulting had \$214,871,419 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage Hatton Consulting to provide discretionary investment advisory services on a *fee-only* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage Hatton Consulting to provide discretionary investment advisory services on a *fee-only* basis, Hatton Consulting's negotiable annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Hatton Consulting's management (generally between 0.10% and 2.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Up to \$300,000	1% up to 2% of portfolio assets payable quarterly
\$300,001 to first \$1,000,000	1% of portfolio assets payable quarterly
from \$1,000,001 to \$2,000,000	0.6% of portfolio assets payable quarterly
from \$2,000,001 to \$5,000,000	0.4% of portfolio assets payable quarterly
from \$5,000,001 to \$20,000,000	0.25% of portfolio assets payable quarterly
from \$20,000,001 & above	0.10% of portfolio assets payable quarterly

## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Hatton Consulting *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Hatton Consulting's planning and consulting fees are negotiable, but generally range from \$3,000 to \$10,000 on a fixed fee basis, and from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have Hatton Consulting's advisory fees deducted from their custodial account. Both Hatton Consulting's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Hatton Consulting's investment advisory fee and to directly remit that management fee to Hatton Consulting in compliance with regulatory procedures. In the limited event that Hatton Consulting bills the client directly, payment is due upon receipt of Hatton Consulting's invoice. Hatton Consulting shall deduct fees and/or bill clients quarterly in advance and/or arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Hatton Consulting shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Hatton Consulting's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Hatton Consulting's annual investment advisory fee shall be prorated and paid quarterly, in advance or arrears, based upon the market value of the assets on the last business day of the previous quarter. Hatton Consulting does not generally require an annual minimum fee or minimum asset level for investment advisory services. Hatton Consulting, in its sole discretion, may reduce its investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Hatton Consulting and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Hatton Consulting shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter, if applicable.

- E. Neither Hatton Consulting, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither Hatton Consulting nor any supervised person of Hatton Consulting accepts performance-based fees.

## **Item 7            Types of Clients**

Hatton Consulting's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. Hatton Consulting does not generally require an annual minimum fee or minimum asset level for investment advisory services. Hatton Consulting, in its sole discretion, may reduce its investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. Hatton Consulting may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

Hatton Consulting may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. 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 Hatton Consulting) will be profitable or equal any specific performance level(s).

B. Hatton Consulting's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Hatton Consulting must have access to current/new market information. Hatton Consulting has no control over the dissemination rate of market information; therefore, unbeknownst to Hatton Consulting, certain analyses may be compiled with outdated market information, severely limiting the value of Hatton Consulting's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.



Hatton Consulting's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, Hatton Consulting primarily allocates investment management assets among various mutual funds and fixed income securities, on a discretionary basis, in accordance with the client's designated investment objective(s).

#### **Item 9            Disciplinary Information**

Hatton Consulting has not been the subject of any disciplinary actions.

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

- A. Neither Hatton Consulting, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Hatton Consulting, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Hatton Consulting has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Hatton Consulting does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Hatton Consulting maintains an investment policy relative to personal securities transactions. This investment policy is part of Hatton Consulting's overall Code of Ethics, which serves to establish a standard of business conduct for all of Hatton Consulting's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Hatton Consulting also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Hatton Consulting or any person associated with Hatton Consulting.

- B. Neither Hatton Consulting nor any related person of Hatton Consulting recommends, buys, or sells for client accounts, securities in which Hatton Consulting or any related person of Hatton Consulting has a material financial interest.

- C. Hatton Consulting and/or representatives of Hatton Consulting *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Hatton Consulting and/or representatives of Hatton Consulting are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Hatton Consulting did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Hatton Consulting’s clients) and other potentially abusive practices.

Hatton Consulting has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Hatton Consulting’s “Access Persons”. Hatton Consulting’s securities transaction policy requires that an Access Person of Hatton Consulting must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Hatton Consulting selects; provided, however that at any time that Hatton Consulting has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Hatton Consulting and/or representatives of Hatton Consulting *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Hatton Consulting and/or representatives of Hatton Consulting are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Hatton Consulting has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Hatton Consulting’s Access Persons.

## **Item 12 Brokerage Practices**

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

Factors that Hatton Consulting considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Hatton Consulting, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Hatton Consulting's clients shall comply with Hatton Consulting'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 Hatton Consulting 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, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Hatton Consulting will seek competitive rates, it may not necessarily 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 in addition to, Hatton Consulting's investment management fee. Hatton Consulting's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. 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, Hatton Consulting may receive from *Schwab* (or another broker-dealer/custodian, investment platform, independent investment manager, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Hatton Consulting to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Hatton Consulting 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 Hatton Consulting in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Hatton Consulting in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Hatton Consulting to manage and further develop its business enterprise.

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

**Hatton Consulting's Chief Compliance Officer, Timothy M. Hatton, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Hatton Consulting does not receive referrals from broker-dealers.

3. Hatton Consulting does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Hatton Consulting will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Hatton Consulting. As a result, 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. Higher transaction costs adversely impact account performance.

**Please Note:** In the event that the client directs Hatton Consulting to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges 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 Hatton Consulting.

**Hatton Consulting’s Chief Compliance Officer, Timothy M. Hatton, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Hatton Consulting provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Hatton Consulting decides to purchase or sell the same securities for several clients at approximately the same time. Hatton Consulting may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Hatton Consulting’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Hatton Consulting shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Hatton Consulting provides investment supervisory services, account reviews are conducted on an ongoing basis by Hatton Consulting’s Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Hatton Consulting of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Hatton Consulting on an annual basis.
- B. Hatton Consulting *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Hatton Consulting may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Hatton Consulting may receive an indirect economic benefit from *Schwab*. Hatton Consulting, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

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

**Hatton Consulting's Chief Compliance Officer, Timothy M. Hatton, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. Neither Hatton Consulting nor any of its representatives compensates any person other than its supervised persons for client referrals.

#### **Item 15          Custody**

Hatton Consulting shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Hatton Consulting may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Hatton Consulting provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Hatton Consulting with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of Hatton Consulting's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage Hatton Consulting to provide investment advisory services on a discretionary basis. Prior to Hatton Consulting assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Hatton Consulting as the client's attorney and agent in fact, granting Hatton Consulting full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Hatton Consulting on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Hatton Consulting's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Hatton Consulting's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. Hatton Consulting does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Hatton Consulting to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. Hatton Consulting does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Hatton Consulting is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Hatton Consulting has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Hatton Consulting's Chief Compliance Officer, Timothy M. Hatton, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**