

Part 2A of Form ADV: *Firm Brochure*

# HCR Wealth Advisors

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This brochure provides information about the qualifications and business practices of HCR Wealth Advisors. If you have any questions about the contents of this brochure, please contact us at 310-473-5445 or [sweinberger@hcrwealth.com](mailto:sweinberger@hcrwealth.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 HCR Wealth Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108676.

## **Item 2    Material Changes**

This Firm Brochure, dated April 14, 2018, is our disclosure document prepared according to the SEC's requirements and rules.

This Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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#### **Item 4     Advisory Business**

HCR Wealth Advisors ("HCR") is a SEC-registered investment adviser with its principal place of business located in CA. HCR began conducting business in 1988.

Listed below is the firm's principal shareholder (i.e., those individuals and/or entities controlling 25% or more of this company).

- Gregory Sandor Heller, President

HCR offers the following advisory services to our clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Structured Notes
- Alternatives

HCR recommends different mutual fund class shares for investment in clients' portfolios. HCR considers a number of different factors when determining the appropriate class share including the existence of sales loads, transaction fees, minimum investment amounts, and operating expense ratios, among other things. Specifically, HCR will generally recommend either retail shares or institutional shares.

- Retail shares – generally have a sales charge, also called a front-end load, that is paid immediately before any principal is invested thereby reducing the amount of your initial investment, although the sales charge may be waived by certain broker-dealers including those used by HCR. For example, if you invest \$1,000 in a retail share with a 5.0% sales charge, \$50 would be deducted from your investment. The remaining \$950 of principal would be invested in the mutual fund. Although the operating expenses may be higher, retail shares tend to have lower minimum investment amounts and can be purchased directly from the sponsor.
- Institutional shares - they are intended only for financial institutions purchasing shares for their own or their clients' accounts. Institutional shares have no sales charge and generally lower annual operating expenses, have higher minimum investment amounts, and can only be purchased through a financial intermediary. For example, an institutional share may require a minimum investment of \$100,000 but since there is no sales charge, the entire \$100,000 of principal would be invested in the mutual fund. Institutional shares may have transaction charges paid to the broker-dealer for purchases and sales of institutional shares, although HCR attempts to negotiate such transaction charges to the extent feasible.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.

- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## **AMOUNT OF MANAGED ASSETS**

As of December 31, 2017, we were actively managing \$1,049,506,686 of clients' assets on a discretionary basis.

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

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.25% to 2.00%. Portfolio management fees are charged an annual fee and billed quarterly in advance based on total assets under management for each calendar quarter, prorated for any inflows or outflows occurred during the quarter.

A minimum of \$100,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. HCR may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

**Limited Negotiability of Advisory Fees:** Although HCR has established the aforementioned fee structure, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

#### **FINANCIAL PLANNING FEES**

HCR' Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees typically range from \$500.00 to \$10,000, depending on the specific arrangement reached with the client. More specifically, our clients are assessed up to \$500 an hour for financial consultations or a fixed fee of as much as \$10,000 for the development of an entire financial plan.

The balance is due upon completion of the plan.

Management personnel and other related persons of our firm are licensed as registered representatives of a broker-dealer and/or licensed as insurance agents or brokers. In their separate capacities, these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients 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.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** An advisory client will have a period of five (5) business days from the date of signing the investment advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to HCR for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs 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 our services. In that case, the client would not receive the services provided by our firm 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 our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

HCR recommends different mutual fund class shares for investment in clients' portfolios. HCR considers a number of different factors when determining the appropriate class share including the existence of sales loads, transaction fees, minimum investment amounts, and operating expense ratios, among other things. Specifically, HCR will generally recommend either retail shares or institutional shares.

- Retail shares – generally have a sales charge, also called a front-end load, that is paid immediately before any principal is invested thereby reducing the amount of your initial investment, although the sales charge may be waived by certain broker-dealers including those used by HCR. For example, if you invest \$1,000 in a retail share with a 5.0% sales charge, \$50 would be deducted from your investment. The remaining \$950 of principal would be invested in the mutual fund. Although the operating expenses may be higher, retail shares tend to have lower minimum investment amounts and can be purchased directly from the sponsor.
- Institutional shares - they are intended only for financial institutions purchasing shares for their own or their clients' accounts. Institutional shares have no sales charge and generally lower annual operating expenses, have higher minimum investment amounts, and can only be purchased through a financial intermediary. For example, an institutional share may require a minimum investment of \$100,000 but since there is no sales charge, the entire \$100,000 of principal would be invested in the mutual fund. Institutional shares may have transaction charges paid to the broker-dealer for purchases and sales of institutional shares, although HCR attempts to negotiate such transaction charges to the extent feasible.

**Additional Fees and Expenses:** In addition to our 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 whom an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** HCR is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, HCR may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset HCR's advisory fees.



**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

HCR does not charge performance-based fees.

## **Item 7 Types of Clients**

HCR provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities,

and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

When appropriate to the needs of the Client, the Advisory Representatives may recommend the use of trading (securities sold within 30 days), margin transactions or covered call option writing. Because these investment strategies bear a certain degree of risk, they will only be recommended when consistent with the Client's stated risk tolerance.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10 Other Financial Industry Activities and Affiliations

Management personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. 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.

One or more of the persons affiliated with HCR are Registered Representatives of Investment Security Corporation ("ISC"). ISC is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Clients should be aware that this may constitute a conflict of interest. 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.

Greg Heller of HCR is also the principal and General Partner of CR Project LLC ("the Fund"). The General Partner has designated HCR as having primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the Fund. HCR and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business. HCR and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Fund, but could be allocated between the business of the Fund and other of our business activities and those of our affiliates.

Investments in the Fund may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the Fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. HCR manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's offering and organizational documents.

HCR has shared employees with Ascendant Capital Management, LLC ("ACM"), an SEC-registered investment adviser that manages the ACM Dynamic Opportunity Fund ("ACM Fund"). Sam Puathasnanon serves as the Chief Compliance Officer for both HCR and ACM. Jordan Kahn is the founder of ACM and serves as the Chief Investment Officer to both ACM and HCR. Mr. Kahn also sits on HCR's Investment Committee. Mr. Kahn's roles present a conflict of interest to the extent that HCR recommends the purchase and sale of shares of the ACM Fund in clients' portfolios. Mr. Kahn has a direct financial interest in recommending the ACM Fund to HCR's clients, especially since the ACM Fund is the only client of ACM. To mitigate these conflicts, there are no referral arrangements between HCR and ACM and no HCR client is obligated to buy the Dynamic Opportunity Fund. In addition, as previously mentioned above, the fees and expenses charged by mutual funds, including the ACM Fund, are separate and distinct from the fees clients pay to HCR for investment advisory services. Clients should review the ACM Fund prospectus for a detailed description of all the fees and expenses charged to clients invested in the ACM Fund. In order to mitigate these conflicts, HCR discloses to clients that they are not obligated to purchase the ACM Fund.

As an employee of HCR, Mr. Kahn is subject to the Firm's policies and procedures, including the Code of Ethics, which requires the reporting of personal securities trading and OBAs to the Chief Compliance Officer, among other things.

Clients should be aware that the receipt of additional compensation by HCR and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. HCR endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we in one form or another, collect, maintain, and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;

- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

HCR and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

HCR's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [spuathasnanon@hcrwealth.com](mailto:spuathasnanon@hcrwealth.com), or by calling us at 310-473-5445.

HCR or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

HCR does not affect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction where our firm acts as an investment adviser in relation to a transaction in which HCR, acts as broker for both the advisory client and for another person on the other side of the transaction.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain securities which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive

an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts may be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of Investment Securities Corporation and licensed as insurance agents of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

HCR requires that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

HCR will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. HCR's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with HCR, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable HCR to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) HCR's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on HCR's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

HCR does not maintain custody of your assets that we manage or on which we advise although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 Custody, below).

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, is one of our recommended qualified custodians. We are independently owned and operated and not

affiliated with Schwab or any other custodian that we recommend. These custodians will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor.

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider, their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab")

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client accounts were negotiated based on our commitment to maintain \$10,000,000 of our clients' assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be if we had not made the commitment. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab, it may charge us quarterly service fees.

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Depending on the situation, HCR may take advantage of any of the opportunities offered through Schwab.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above and not Schwab's services that benefit only us. We have over \$1,000,000,000 in client assets under management, and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

HCR has an arrangement with Fidelity Brokerage Services LLC ("Fidelity") through which Fidelity provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like HCR in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are



charged for individual equity and debt securities transactions). Fidelity enables HCR to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by HCR (within specified parameters). HCR has not selected any research tools provided by Fidelity to aid our firm in managing account. HCR utilizes Fidelity's programs to monitor transactions and activity within our clients' accounts.

HCR may also receive additional services which may include research. Without this arrangement, we might be compelled to purchase the same or similar services at our own expense.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of HCR's clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness.

Accordingly, while HCR will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. HCR and Fidelity are not affiliated, and no broker-dealer affiliated with us is involved in the relationship between HCR and Fidelity.

HCR also participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment HCRs services which include custody of securities, trade execution, clearance and settlement of transactions. HCR receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, HCR randomly selects accounts at least quarterly to ensure adherence to the client's goals. Accounts are reviewed in the context of each client's stated 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.

These accounts are reviewed by: **Sam Puathasnanon**

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their custodian, as requested, we will provide reports summarizing account performance, balances and holdings.

## FINANCIAL PLANNING SERVICES

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

### Item 14 Client Referrals and Other Compensation

HCR receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

As disclosed under Item 12 above, HCR participates in TD Ameritrade's institutional customer program and HCR may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between HCR's participation in the program and the investment advice it gives to its Clients, although HCR receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- receipt of duplicate Client statements and confirmations;
- research related products and tools; consulting services; access to a trading desk serving HCR participants;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts);
- the ability to have advisory fees deducted directly from Client accounts;
- access to an electronic communications network for Client order entry and account information;
- access to mutual funds with no transaction fees and to certain institutional money managers; and
- discounts on compliance, marketing, research, technology, and practice management products or services provided to HCR by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by HCR's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit HCR but may not benefit its Client accounts. These products or services may assist HCR in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help HCR manage and further develop its business enterprise. The benefits received by HCR or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, HCR endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by HCR or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the HCR's choice of TD Ameritrade for custody and brokerage services.

Advisor also receives from TD Ameritrade certain additional economic benefits ("Additional Services")

that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include

- Blaze Portfolio, an electronic trading platform;
- Junxure, client management software;
- Smarsh, email archiving application;
- eMoney, financial planning software;
- Advent, portfolio management and client reporting application; and
- Morningstar, financial research software.

TD Ameritrade provides the Additional Services to Advisor in its sole discretion and at its own expense, and Advisor does not pay any fees to TD Ameritrade for the Additional Services. Advisor and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Advisor's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Advisor, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Advisor's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Advisor, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Advisor may have an incentive to recommend to its Clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. Advisor's receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

In addition, our firm pays referral fees to non-affiliated solicitors for introducing clients to us. Whenever we pay a referral fee, we require the solicitor to provide the prospective client with a copy of this document, our Firm Brochure.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is HCR's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

Under government regulations, we are deemed to have custody of your assets if you authorize us to instruct our custodian to deduct our advisory fees directly from your account. Custodian maintains actual custody of your assets. You will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing address you provided to the custodian. You should carefully review those statements promptly when you receive them. We also urge you to compare the custodian's account statements to the periodic reports you will receive from us.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm maintains custody for a limited number of our clients as a result of our ability to enact money movement using standing letters of authorization with client signatures.

#### CUSTODY RELATED TO CR PROJECT:

HCR and its related general partner of the Fund, employs a third party custodian for account managed by our related general partner. However, the SEC deems that HCR and the general partner have “custody” of client funds in several respects:

- We authorize payment of management fees from managed accounts, per the terms of the Management Agreement for each account.
- The SEC deems that any general partner of a fund has custody over funds by nature of its role for a fund.
- The general partner of the Fund authorizes payment of management fees and incentive allocations to HCR and to the general partner, per the terms of the Agreement for the Fund.
- The general partner of the Fund authorizes payment to third party service providers from the funds, per the terms of the Agreement for the Fund.
- The general partner authorizes distribution of capital from Limited Partner accounts to Limited Partners upon request of the Limited Partner or by authority of the general partner, per the terms of the Agreement for each fund.

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

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

HCR requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account.

Clients give us discretionary investment authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

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

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, 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. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

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

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. HCR has no additional financial circumstances to report.

HCR has not been the subject of a bankruptcy petition at any time during the past ten years.