

# Harger and Company, Inc.

## Client Brochure

*This Brochure provides information about the qualifications and business practices of Harger and Company, Inc. If you have any questions about the contents of this Brochure, please contact us at (225) 767-7228 or via email at [mdowden@hargerandcompany.com](mailto:mdowden@hargerandcompany.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.*

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

*Additional information about Harger and Company, Inc. is also available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's Web site also provides information about any persons affiliated with Harger and Company, Inc. who are registered, or are required to be registered, as investment adviser representatives of Harger and Company, Inc.*

*The firm's CRD number is: 10385*

**8048 One Calais Avenue, Suite D  
Baton Rouge, Louisiana 70809  
(225) 767-7228  
[www.hargerandcompany.com](http://www.hargerandcompany.com)**

**February 5, 2024**

## ITEM 2: MATERIAL CHANGES

This item discusses only specific material changes that are made to the Brochure since the Firm's last update. It will also reference the date of the last update of the brochure. Since the Firm's last update dated February 16, 2023; the firm has begun the process to register as an SEC registered advisor.

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, which is December 31. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, Harger and Company, Inc.'s ("HCI" or "Firm") Brochure may be requested by contacting Michael Dowden, CCO, by phone at (225) 767-7228 or via email at [mdowden@hargerandcompany.com](mailto:mdowden@hargerandcompany.com). Additionally, the Brochure is available on Harger and Company, Inc.'s Web site at [www.hargerandcompany.com](http://www.hargerandcompany.com).

## TABLE OF CONTENTS

ITEM 1 – COVER PAGE .....	1
ITEM 2: MATERIAL CHANGES.....	2
ITEM 3 TABLE OF CONTENTS.....	3
ITEM 4: ADVISORY BUSINESS.....	4
ITEM 5: FEES, COMPENSATION AND TERMINATION OF SERVICES .....	7
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	10
ITEM 7: TYPES OF CLIENTS .....	11
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	12
ITEM 9: DISCIPLINARY INFORMATION .....	16
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	17
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	20
ITEM 12: BROKERAGE PRACTICES.....	22
ITEM 13: REVIEW OF ACCOUNTS .....	24
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION.....	25
ITEM 15: CUSTODY.....	26
ITEM 16: INVESTMENT DISCRETION.....	27
ITEM 17: VOTING CLIENT SECURITIES .....	28
ITEM 18: FINANCIAL INFORMATION.....	29

\* The SEC requires all investment advisers to organize their disclosure documents according to specific categories listed above, some of which may not pertain to HCI's business. When a required category is not relevant to our business, we list the category and state that it does not apply.

## **ITEM 4: ADVISORY BUSINESS**

### **A. Firm Description**

HCI was formed in 1981 as a corporation and is organized under the laws of the State of Louisiana. HCI and is owned by R.L. Harger and Associates, Inc. HCI provides portfolio investment management services and financial planning services to individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates and corporations. HCI also offers advisory services to 401(k) participants. Listed below is a description of the programs offered by the Firm.

### **B. Types of Advisory Services**

HCI manages the portfolio on a discretionary or non-discretionary basis. The fee for this program is an unbundled fee not including brokerage commissions and custodial services. Custody will be maintained at qualified financial institutions as directed by the client. In addition, a transaction charge may be assessed for each transaction executed for the account.

HCI provides detailed written financial plans consistent with a client's financial status, investment objectives and constraints, risk tolerance and tax status. In general, the financial plan will address the following areas of concern:

- **PERSONAL:** Family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** Income tax and spending analysis and planning for past, current and future years.
- **DEATH & DISABILITY:** Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- **RETIREMENT:** Analysis of current strategies and investment plans to help the client achieve their retirement goals.
- **INVESTMENTS:** Analysis of investment alternatives and their effect on a client's portfolio.
- **401 (K) ADVISORY SERVICES**

Certain advisory representatives offer investment advisory services to participants of 401(k) plans. HCI representatives will generally advise participants on allocation of their assets among various mutual fund choices included in the plans. The fees for these services are paid by the plan sponsor.

HCI gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals, and attitudes towards risk. Related documents, including a questionnaire supplied by the client, are carefully reviewed.

The financial plan may include generic recommendations as to general types of investment products or specific securities that may be appropriate for the client to purchase given his or her financial situation and objectives. Implementing the recommendations requires the client to work closely with his/her attorney, accountant, insurance agent, and/or stockbroker.

HCI presents investment seminars licensed by "Broadridge Advisor Solutions" to the public. These seminars provide basic investment and financial information through an educational approach. Specific securities and insurance products are not discussed. Through the use of a workbook, discussions, lectures, overhead projector slides and handouts, HCI Advisor Representatives discuss the characteristics of various types of investments (such as stocks, bonds, annuities and mutual funds), insurance and retirement plans, the economic effects of inflation, strategies for determining appropriate investment vehicles based upon needs and risk tolerance, strategies for determining the appropriate type and amount of insurance based upon a risk analysis, and miscellaneous related topics such as estate planning, taxes and mortgages.

For seminars sponsored by a college or university, the client is charged a registration fee for the seminar of approximately \$50 per person by the college or university. HCI does not share in this fee.

Following the seminar, if the client wishes to have a personal financial plan prepared by a HCI Advisor Representative, he or she may be charged an hourly fee or a percent of assets managed by HCI. Reference is made to "Portfolio Investment Management Services" and "Financial Planning Services."

HCI manages assets on both a discretionary and nondiscretionary basis depending on the individual Client's needs and preferences, as well as the manner in which the client assets are invested. For example, the Firm manages client assets held in the various sub-accounts of a variable annuity on a discretionary basis while it currently manages assets held at RBC on a non-discretionary basis. Client assets held at RBC and managed by a third-party sub-advisor, however, are managed by such sub-advisor on a discretionary basis and the Firm does not currently have the ability to change sub-advisors without the client's express authorization.

### **C. Client Tailored Services and Client Imposed Restrictions**

Through in-depth personal interviews in which goals, objectives and constraints, based on a client's particular circumstances are established, HCI develops a client's personal investment policy and creates and manages a portfolio based on that policy. HCI may determine based on advisory clients' financial goals and risk tolerance that a portfolio consisting entirely of mutual funds and/or variable annuities is the most appropriate in order to meet that client's individual needs.

### **D. Wrap Fee Programs**

HCI does not sponsor or manage a wrap fee program.

### **E. Amount of Assets Under Management**

As of December 31, 2023, the Firm had approximately \$93.5 million in assets managed on a non-discretionary basis and approximately \$23.4 million assets managed on a discretionary basis.

## **ITEM 5: FEES, COMPENSATION AND TERMINATION OF SERVICES**

### **A. Description of Compensation and Basic Fee Schedule**

As a participant in the Portfolio Management Services Program, the client will pay the annualized fees described below:

Fees for the Portfolio Management Services Account typically range from the annual rate of 0.00% to 2.00% of the account's assets under management negotiated between the HCI Advisor Representative and the client and as agreed upon in writing by each client.

There is no minimum asset level required for this service.

The Account Fee is paid to and retained by HCI and the Advisor Representative.

Fees for financial planning services may be based on an hourly charge of \$150 per hour or on a fixed fee basis. The HCI Advisor Representative will give pre-consultation estimate to the client based on the complexity of the needs of the client and receive the estimated fee before the consultation begins. The fee may be negotiated between the client, the Advisor Representative and HCI during the pre-consultation estimate. The client may terminate the Financial Planning Agreement without penalty within five days of execution. After the five-day time period, the client may terminate the agreement at any time and a refund of unearned fees, if any, will be made based upon the time and effort completed prior to termination of the Agreement. The Financial Planning Agreement terminates upon delivery of the written financial plan. No refunds will be made after completion of the plan.

The fees charged will never be on the basis of capital gains upon or capital appreciation of the funds or any portion of the funds of the client as contained in Section 205(a)(1) of the Advisers Act.

Advisory fees charged by HCI are separate and distinct from Advisory fees and expenses charged by mutual funds and variable annuity sub-accounts in which client assets may be invested. A complete description of these funds and expenses may be found in the prospectus for each fund or annuity.

Apart from the Client services provided directly by HCI, services identical to the Portfolio Management Service may be provided by other investment advisors for fees less than the fees charged by HCI.

In certain circumstances, fees may be negotiable.

## **B. Payment of Fees**

For assets managed on a non-discretionary basis and held at RBC, the advisory fee is payable quarterly in advance based upon the market value of the accounts' assets under management as of the close of business on the last business day of the preceding quarter. The fee is then computed by using that amount multiplied by the applicable fee rate divided by 365 days times the number of days in the quarter. Advisory Fees attributable to deposits to or withdrawals from an account of cash or securities with a value equal to or greater than \$10,000 will be pro-rated based upon the date the transactions occur during the quarter and is more fully described in the RBC account paperwork provided to the client upon account opening at RBC.

For assets managed in a variable annuity, the advisory fee is payable quarterly in arrears, based upon the market value of the assets held in the variable annuity and respective sub-accounts.

The fee may be debited from the Client's account(s) with the prior written consent of the Client and the custodian. Either party may terminate the agreement upon the written notice to the other party. The client has the right to terminate this Agreement without penalty within five business days from the date of execution of this Agreement by delivery to Advisor of written notice of Client's desire to terminate.

## **C. Other Fees**

In addition to account fees, clients may also incur certain charges imposed by third-parties which may include, but are not limited to, the following: mutual fund or money market 12b-1 and sub transfer fees, fund or money market management fees and administrative expenses, mutual fund transaction fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, IRA and qualified retirement plan fees, and other charges required by law. HCI and its Advisor Representatives may receive a portion of these fees.

## **D. Prepayment of Fees**

Either party may terminate the agreement upon written notice to the other party. The client has the right to terminate this Agreement without penalty within five business days from the date of execution of this Agreement by delivery to Adviser of written notice of Client's desire to terminate. In the event of the cancellation of the Agreement, HCI will refund any pre-paid fees on a prorated basis.



## **E. Other Compensation**

HCI is also a broker/dealer registered with the SEC and a member of FINRA. In certain circumstances commissions on the sale of mutual funds and variable annuities, and other investments purchased for a client's account may be paid to an Advisor Representative through HCI. All Account Representatives are also registered as securities brokers with HCI.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

HCI does not charge any performance fees based on a share of capital gains on or capital appreciation of the assets of a client. HCI fees associated with services are not “performance based” (based upon a share of capital gains or capital appreciation, or performance, for any portion of funds under an advisory contract). The fees noted herein represent fees for advisory services only.

## **ITEM 7: TYPES OF CLIENTS**

HCI provides portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates and corporations. HCI also offers advisory services to 401(k) participants.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies**

Through detailed conversations and reviewing investment history, HCI will implement the plan that is recommended to the client. HCI does not utilize a single methodology in determining investment strategies for its clients. After gathering appropriate suitability and financial information on a client, the Firm will construct a portfolio that is designed to meet the client's needs and objectives. The analysis will be mostly fundamental in nature as HCI takes a long-term view and does not anticipate actively trading accounts. A key goal of the Firm is to provide its clients with a well diversified portfolio that performs well over the long term. The portfolios may consist of equities, fixed income, mutual funds, variable annuities, ETFs and other instruments. Before implementing any plan, the client knows and is made aware that investing in securities involves risk of loss that they should be prepared to bear.

### **B. Material Risks**

As outlined above, HCI does not utilize any particular or specific investment strategy or method of analysis in managing clients' assets. The investment plan that will be used is determined by analyzing the client's investment history, risk tolerance, time horizon, and investment objectives. We typically try to use a very detailed asset allocation model that will determine the correct mix of assets within the client's account(s).

As HCI may use a variety of assets to meet its clients' objectives, the clients are not subject to any particular risk to a greater extent than any others. Due to the diversification of assets for most clients, their exposure to specific risks is somewhat mitigated. However, clients, depending upon asset allocation, may still face certain risks inherent to the specific assets held. These may include, but not be limited to, some or all of the following:

Credit Risks – The risk that the portfolio could lose money if the issuer or guarantor of a fixed-income security, or the counter-party to a derivative contract, is unable or unwilling to meet its financial obligations.

Counter-Party Risks – A portfolio may incur a loss if the other party to an investment contract, such as a derivative, fails to fulfill its contractual obligation.

**Currency Risks** – The risk that foreign currencies will decline in value relative to the US dollar and affect a portfolio's investments in foreign (non-US) currencies or in securities that trade in, and receive revenues in, or in derivatives that provide exposure to, foreign (non-US) currencies.

**Debt Securities Risks** – The issuer of a debt security may fail to pay interest or principal when due, and changes in market interest rates may reduce the value of debt securities or reduce the portfolio's returns.

**Derivatives Risks** – The use of derivatives such as futures, options and swap agreements can lead to losses, including those magnified by leverage, particularly when derivatives are used to enhance return rather than offset risk.

**Emerging-Markets Risk** – Foreign investment risks are typically greater for securities in emerging markets, which can be more vulnerable to recessions, currency volatility, inflation and market failure.

**Equity Risks** – The risk that the value of equity securities, such as common stocks and preferred stocks, may decline due to general market conditions which are not specifically related to a particular company or to factors affecting a particular industry or industries. Equity securities generally have greater price volatility than fixed income securities.

**ETF Risks** – A portfolio will be exposed indirectly to all of the risks of securities held by an ETF.

**Foreign Investment Risk** – Foreign investments face the potential of heightened illiquidity, greater price volatility and adverse effects of political, regulatory, tax, currency, economic or other macroeconomic developments.

**High-Yield Securities Risk** – High-yield securities have a much greater risk of default or of not returning principal and tend to be more volatile than higher-rated securities of similar maturity.

**Interest-Rate Risk** – The risk that fixed income securities will decline in value because of an increase in interest rates.

**Issuer Risk** – The value of a security may decline because of adverse events or circumstances that directly relate to conditions at the issuer or any entity providing it credit or liquidity support.

**Issuer Non-Diversification Risk** – The risks of focusing investments in a small number of issuers, industries, or foreign currencies, including being more susceptible to risks

associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.

**Leverage Risk** – The risk that certain portfolio transactions may give rise to leverage, causing the portfolio to be more volatile than if it had not been leveraged.

**Liquidity Risk** – A security may not be able to be sold at the time desired or without adversely affecting the price.

**Market Risk** – The market price of securities held by a portfolio may rapidly or unpredictably decline due to factors affecting securities markets generally or particular industries.

**Mortgage- and Asset-Backed Securities Risk** – These securities may decline in value when defaults on the underlying mortgage or assets occur and may exhibit additional volatility in periods of changing interest rates. When interest rates decline, the prepayment of mortgages or assets underlying such securities may require the reinvestment of money at lower prevailing interest rates, resulting in reduced returns.

**Regulatory Risk** – The risk that changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

**Short Sale Risk** – The risk of entering into short sales includes the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to a portfolio.

**Private Securities Risk** – Private securities contain the risks of their respective public securities, but these risks can be magnified due to their illiquidity and lack of public knowledge on the business. These securities are inherently riskier.

**Real Estate Risk** – The real estate market has experienced some large swings recently. Due to changes in interest rates, the lending market, economic policy, and supply and demand, in addition to illiquidity, real estate investments can carry a great deal of risk.

## **C. Certain Risk Factors**

Investing in securities involves risk of loss that clients should be prepared to bear.

We typically use mutual fund, variable annuities, ETF's, UIT's, stocks, bonds and other securities products to develop allocations that are divided into different risk classes ranging from Conservative to Aggressive. The risks involved are similar to those with traditional investments.

For investors in mutual funds and/or variable annuity sub-accounts, however, the risks may differ from traditional investments. For these investments, the risks may include, but not be limited to, some or all of the following:

**Credit Risk-** With mutual funds, there is a risk that the issuers may fail to pay off the interest and principal on time. This is more of an issue with bonds than other kinds of mutual funds, but usually not an issue with U.S. treasury bonds.

**Call Risk-** With bonds, there is always the risk that the issuer will recall the bond before the date of maturity, usually due to falling interest rates. This is called call risk.

**Principal Risk-** Always possible with mutual funds is principal risk, the risk that the investment will go down in value and lose money from the original amount invested.

**Prepayment Risk-** This is the risk that a bond will pay off earlier than expected. When interest rates fall, there is a chance that the issuer of the bond will decide to cut losses and retire its debt via old bonds, then reissue new bonds at a lower rate of payout.

**Market Risk-** According to the United States Securities and Exchange Commission, market risk, the rising and falling of the value of stocks, "poses the greatest potential danger in stocks funds." Market risks do tend to move in cycles, but these cycles can be over both long and short periods of time and are always unpredictable.

**Country Risk-** Country risk is when political, natural or economic events in a country influence the value of investments in that country. For example, investments in a country suddenly struck by a hurricane would more than likely result in a subsequent large loss in investment value.

**Inflation Risk-** Inflation risk happens when increases in the cost of living make the yields from mutual fund investments worth much less, adjusted against inflation, than they would have been otherwise.

**Manager Risk-** One of the benefits of mutual funds is the opportunity to have your investments professionally managed. However, this can turn into a distinct disadvantage if the manager fails to perform his duties effectively.

**Currency Risk-** This risk, also called exchange rate risk, generally applies only to investments in foreign securities. Currency risk is when the rising or falling value of the dollar against foreign currency results in a reduction in returns for investors.

## ITEM 9: DISCIPLINARY INFORMATION

### *DISCLOSURES*

Without admitting or denying the allegations, Mr. Dowden entered into a settlement that stated, during the period March 2010 through October 2016 (“Relevant Period”), in his capacity as the designated supervising principal, reviewed and approved proposed transactions. Mr. Dowden then wrote in a date next to the applicable customer’s undated signature using the date he approved the transaction. By virtue of this conduct, Mr. Dowden violated NASD Rule 3110 (from March 2010 through December 4, 2011) and FINRA Rules 4511 (from December 5, 2011 through October 2016) and 2010. On approximately May 24, 2019, FINRA accepted an offer of settlement whereby Mr. Dowden was fined \$10,000 and served a two-month suspension.

### **A. Criminal or Civil Action**

Neither HCI, nor any of our employees, has had any civil or criminal actions brought against them.

### **B. Administrative Procedure**

Neither HCI, nor any of our employees, has had any administrative procedures brought against them.

### **C. Self Regulatory Organization**

Please refer to the above section entitled “*Disclosures.*”



## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

HCI is a SEC registered broker/dealer and member of FINRA. In this capacity, HCI and its representatives may execute securities transactions for advisory clients that are also brokerage clients. In addition, the principal executive officers and other employees of HCI may be separately licensed as insurance agents or brokers for one or more insurance companies either through HCI and/or through an affiliated company, R.L. Harger and Associates, Inc. The existence of these relationships creates potential conflicts of interest in that advisory representatives may recommend transactions based upon commissions they might receive rather than ones that are in the clients' best interest. HCI takes its fiduciary duties seriously and will ensure that its advisory clients are receiving advice that is in the clients' best interest. During the quarterly account reviews, the reviewers will evaluate whether transactions effected for advisory clients were appropriate based upon the clients' needs and financial situation. Any potential discrepancies or variances will be discussed and reconciled with the representatives.

The principal executive officers and other account representatives of HCI may from time to time, receive 12b-1 distribution fees and other sales fees from investment companies in connection with the placement of client funds into investment companies. In addition, the officers and Advisor Representatives may receive commissions from HCI as registered representatives of a registered broker dealer.

The principal executive officers and other employees of HCI are agents and/or brokers for various insurance companies through Harger and Company, Inc. Therefore, these individuals will be able to effect insurance recommendations for any client electing to have insurance recommendations implemented. It is understood that these individuals will be able to receive separate compensation for insurance implementation. Clients are not obligated to utilize any of these individuals for insurance product purchases. All clients are free to utilize any insurance agent or insurance broker.

HCI is registered as both an investment advisor and broker-dealer. This registration status creates a conflict in that HCI will be used to execute portfolio transactions for its investment advisory clients. In order to mitigate this conflict, HCI will conduct these transactions subject to proper, and customary, disclosure regarding the firms' capacity. Further, the Firm currently only uses RBC as its custodian and for the execution of transactions. The Firm executes all trades on an Agency basis, with the exception of Unit Investment Trust's ("UIT's") which are executed on a "Riskless Principal" basis with the Firm not receiving any compensation (in the form of

commissions or markup/markdowns) as compensation for executing these “Riskless Principal” trades. Currently, HCI is designated by the client as the sole broker/dealer for the execution of securities transactions to be directed by the Firm. If HCI utilizes a broker/dealer designated by the client other than HCI to execute brokerage transactions, HCI advisory clients may not have the authority to negotiate commissions or obtain volume discounts, thus best execution may not be achieved. If the client does utilize HCI, a disparity in commission charges may exist in comparison to commission charges to clients of other portfolio managers not utilizing HCI. Additionally, while HCI will seek to obtain the best combination of price and execution for such transactions, lower commissions or better execution may be available elsewhere, for example, by the execution of the transaction through a so-called “discount broker.” However, HCI strives to seek the best combination of price and execution for transactions.

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

HCI is a SEC registered broker/dealer and member of FINRA. In this capacity, HCI and its representatives may execute securities transactions for advisory clients that are also brokerage clients.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Adviser**

Neither HCI nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Adviser.

### **C. Registration Relationships Material to This Advisory Business and Conflicts of Interest**

The existence of the relationships as described in the above section creates potential conflicts of interest in that advisory representatives may recommend transactions based upon commissions; they might receive rather than ones that are in the clients’ best interest. HCI takes its fiduciary duties seriously and will ensure that its advisory clients are receiving advice that is in the clients’ best interest. During the quarterly account reviews, the reviewers will evaluate whether transactions effected for advisory clients were appropriate based upon the clients’ needs and

financial situation. Any potential discrepancies or variances will be discussed and reconciled with the representatives.

**D. Selection of Other Advisors of Managers and How This Adviser is  
Compensated for Those Selections**

HCI has no information applicable to the item other than the sections as noted above.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

HCI has adopted a Code of Ethics for all Supervised Persons of the Firm describing its high standard of business conduct and its fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on, and the reporting of gifts and gratuities and personal securities trading procedures, among other things. All Supervised Persons at HCI must sign an acknowledgement, acceptance, and understanding of the terms of the Code of Ethics, annually.

On occasion, HCI may own securities products that it also recommends to Clients, which may present a potential conflict of interest. However, as a preventative measure, all Client transactions will be conducted and implemented before any such transaction relating to any personal accounts of HCI or any affiliated person of HCI. Any trading by HCI personnel is controlled by HCI's Code of Ethics. A copy of such Code will be available upon request.

### **B. Recommendations Involving Material Financial Interests**

As registered representatives and insurance agents of various insurance companies, investment adviser representatives of HCI may implement securities and insurance product recommendations for financial planning clients for separate and typical compensation. No financial planning client is obligated to use the Firm or any of its representatives to implement recommended securities transactions nor are clients obligated to use HCI's insurance affiliate to implement insurance transactions.

### **C. Investing in the Same Securities as Clients**

On occasion, HCI may own securities products that it also recommends to Clients, which may present a potential conflict of interest. However, as a preventative measure, all Client transactions will be conducted and implemented before any such transaction relating to any

personal accounts of HCI or any affiliated person of HCI. Any trading by HCI personnel is controlled by HCI's Code of Ethics. A copy of such Code will be available upon request.

#### **D. Trading the Same Securities as Clients' Securities**

HCI and its advisor representatives and other employees may buy or sell securities identical to those recommended to customers for their personal accounts.

As these situations, may represent a conflict of interest, HCI has established the following restrictions in order to ensure its fiduciary responsibilities:

(1) It is the express policy of HCI that no person employed by HCI may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of the advisory account.

(2) A director, officer, or employee of HCI shall not buy or sell securities for their personal portfolio where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No associated person of HCI shall prefer his or her own interest to that of the advisory client.

(3) HCI maintains a list of securities holdings for itself and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of HCI.

(4) All financial planning clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.

(5) HCI requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisers.

(6) Any individual not in observance of the above may be subject to termination.

HCI is also an SEC registered broker/dealer and member of the FINRA.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Selecting Brokerage Firms**

#### **BROKERAGE DISCRETION**

If the client so elects, HCI will be granted written discretionary authority with respect to securities and the amounts of securities to be bought or sold. In this written authority statement, all limitations on the discretionary, if any shall be defined.

For the Portfolio Investment Management Services, it is expected that clients will select HCI as the broker. Moreover, it is expected that most clients will select the custodian used by HCI. In the event that a client directs HCI to use a particular broker or dealer not recommended by HCI, commissions may not be negotiated and volume discounts or best execution may not be achieved. Clients who maintain non-discretionary accounts acknowledge that the timing of securities recommendations may impact the performance relative to discretionary accounts.

Factors considered by HCI when recommending a broker, including HCI, are the broker's ability to provide professional services, competitive commission rates, and other services which will help the Firm in providing portfolio management services to its clients.

HCI's advisory practice, due to the nature of its business and clients needs, does not include block trades (with occasional riskless principal trades in Unit Investment Trusts), negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. The financial planning service does not manage portfolios in the traditional sense. Therefore, clients should understand that if they elect to have plans implemented by (i.e.: the actual execution of transactions) HCI's Advisory Representatives in their separate capacities as registered representatives of a broker dealer, that lower commissions or better execution could be achieved elsewhere; for example, executing equity trades through a so-called discount broker.

### **B. Aggregation of Securities for Multiple Client Accounts**

HCI's advisory practice, due to the nature of its business and clients needs, does not include block trades (except the occasional riskless principal trading in Unit Investment Trusts),

negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. Therefore, clients should understand that if they elect to have plans implemented by (i.e.: the actual execution of transactions) HCI's Advisory Representatives in their separate capacities as registered representatives of a broker dealer, that lower commissions or better execution could be achieved elsewhere; for example, executing equity trades through a so-called discount broker. HCI will be responsible for any losses resulting from trade errors.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

The day-to-day supervision of the accounts is the responsibility of the Advisory Representative. Each investment account is reviewed at least quarterly for compliance with policy, suitability of investments and customer investment objectives. Each discretionary account will be reviewed at least quarterly for performance, compliance with policy, suitability of investments and customer investment objectives.

### **B. Factors that Will Trigger Non-Periodic Reviews**

Other factors that would trigger a more frequent review are material market events or changes in the client's personal situation.

### **C. Reports Provided to Clients**

Clients receive, at a minimum, annual evaluations of their account performance; Clients also receive confirmations of all purchase/sale transactions and detailed statements of account activity, holdings, and values on at least a quarterly basis.



## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Third Party Compensation**

Neither HCI nor any of its Supervised Persons receives any economic benefits from any persons or entities who are not Clients. Further, HCI or any of its Supervised Persons do not directly or indirectly compensate any person or entity for client referrals.

### **B. Referrals**

HCI or any of its Supervised Persons do not directly or indirectly compensate any person or entity for client referrals.

## **ITEM 15: CUSTODY**

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains clients' investment assets. HCI urges clients to carefully review such statements and compare such official custodial records to the account statements that HCI may provide. HCI's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **ITEM 16: INVESTMENT DISCRETION**

For assets held in sub-accounts of a variable annuity, HCI usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities, and determining amounts, HCI observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to HCI in writing.

## **ITEM 17: VOTING CLIENT SECURITIES**

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

## **ITEM 18: FINANCIAL INFORMATION**

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

### **A. Balance Sheet**

HCI does not require nor solicit prepayment of investment advisory fees which would result in custody issues. Therefore, the Adviser is not required to include a balance sheet with this brochure.

### **B. Financial Conditions**

Neither HCI nor its management have any financial conditions that are likely to reasonably impair the Adviser's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions**

HCI has not been the subject of a bankruptcy petition in the last ten years.

**PAYCHECK PROTECTION PROGRAM** The Firm applied for, and received in 2020, a business support loan as part of the government's Paycheck Protection Program ("PPP") implemented in response to the COVID-19 crisis. The PPP loan was designed to help businesses keep employees on the payroll amid the turmoil and uncertainty created by COVID-19. Because of the economic volatility caused by the COVID-19 crisis, the Firm considered reducing headcount, cutting salaries and benefits and reduce normal operating expenses. The Firm applied for the PPP loan to avoid any of these issues. The loan application process required the Firm to submit a significant amount of financial information to the Small Business Administration ("SBA"). After reviewing our application, the SBA approved the requested loan

on the amount of \$80,500. The PPP is a federally supported loan wherein the proceeds are to be used to pay certain expenses, such as payroll, rent, mortgage interest or utilities. The Firm used its loan proceeds to pay these expenses in accordance with the loan guidelines.

Harger was notified on December 14, 2020 that its PPP loan was fully forgiven. The Firm does not expect to have to repay the loan although current guidance allows for the SBA to audit the loan for up to 10 years after it has been forgiven. Should the SBA reverse its decision with regard to the forgiveness of the loan, the Firm would be required to repay the loan which would possibly require additional capital contributions from the owners.

Even though the firm took the PPP loan, as stated above, the Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceedings.