

# Hofkin Capital Management, Inc.

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*This disclosure brochure provides clients with information about the qualifications and business practices of Hofkin Capital Management, Inc. It also describes the services Hofkin Capital Management, Inc. provides as well as background information on those individuals who provide investment advisory services on behalf of Hofkin Capital Management, Inc. Please contact Janet Smith at 952-835-1185 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Hofkin Capital Management, Inc. is available on the Internet 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. The CRD number for Hofkin Capital Management, Inc. is 110068.*

*References herein to Hofkin Capital Management, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.*

## **MATERIAL CHANGES**

There have been no material changes since the last date (May 1, 2012) this disclosure brochure was updated.

HOFKIN CAPITAL MANAGEMENT, INC.

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## **ADVISORY BUSINESS**

### **Our Company**

Hofkin Capital Management, Inc. is an independent, privately-held Minnesota corporation that has been a registered investment adviser since 1979 (from 1979 to 2011 Hofkin Capital Management, Inc. was known as Money Managers, Inc.). Throughout this written disclosure brochure, Hofkin Capital Management, Inc. is referred to as "Hofkin Capital Management".

The principal owner of Hofkin Capital Management is Michael G. Hofkin.

### **Our Services**

Hofkin Capital Management provides investment supervisory services. Hofkin Capital Management will give continuous investment advice to a client and/or make investments for the client based on the individual needs of the client. This would include, for example, the nature of other client assets and the client's personal and family obligations.

Hofkin Capital Management will provide investment supervisory services on either a discretionary or non-discretionary basis. Discretionary money management includes making day-to-day investment decisions, directing purchases, sales and exchanges of assets, and performing such other related functions as come to bear in the best interests of the client. Non-discretionary money management services may include investment account monitoring and/or regular or periodic consultations, advice, and ongoing trade executions, but do not include making regular discretionary day-to-day investment decisions.

Hofkin Capital Management does not call any of these services "financial planning," does not furnish investment advice in any manner other than that described above, nor does it furnish advice to clients on matters not involving money management on other than an occasional basis. Hofkin Capital Management does not issue periodic publications relating to securities on a subscription basis; nor does it prepare or issue, separate from any service described above, any charts, graphs, formulas or other devices which clients may use to evaluate securities, or special reports or analyses relating to securities.

Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf.

### **Our Assets Under Management**

As of December 31, 2011, the total amount of client assets managed by Hofkin Capital Management is approximately \$22,800,000. Of this total amount, approximately \$19,500,000 of client assets are managed on a discretionary basis and \$3,300,000 of client assets are managed on a non-discretionary basis.

## FEES AND COMPENSATION

### Discretionary Money Management Services

#### Standard Fee Schedule

The standard annual fee for Hofkin Capital Management's discretionary money management services will be charged as a percentage of assets under management according to the following schedule:

Assets Under Management	Maximum Annual Fee (%)
First \$1 million	2.00%
Amounts over \$1 million	1.50%

Hofkin Capital Management charges a minimum annual fee of \$500.

Clients will be billed quarterly in advance (i) based upon the value of assets in the client's account on the initial appraisal date and (ii) based upon the market value or book value (for partnerships) of assets in the client's account at the end of the previous quarter. Market value will be determined by the account custodian. In the event the account custodian cannot provide a market value, Hofkin Capital Management will determine the asset's fair market value.

For the initial calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the advisory agreement was effective. Fees are earned as of the commencement of the investment advisory agreement and are prorated when assets were not managed for the entire quarter.

Details of the standard fee charged are more fully described in the advisory agreement entered into with each client.

#### Performance Fee

In certain circumstances, clients may elect to pay a performance fee in lieu of the standard asset based fee detailed above. The typical performance based fee is 13% of the cumulative net total return with a high watermark provision and is payable annually (may be non-calendar year) after service is performed.

The performance-based management fee is only available to the following types of clients, and even then, only after the client fully understands the risks involved in performance-based management:

- Clients with at least \$1,000,000 under management with Hofkin Capital Management or more than \$2,000,000 of net worth;
- Clients who are “qualified purchasers” under section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “1940 Act”); or
- Clients that are private investment companies exempted from the 1940 Act under section 3(c)(7) of the 1940 Act.

Each client that selects the performance-based management fee option will be required to complete an investor questionnaire, pursuant to which the client shall establish that the client is qualified to pay the performance-based management fee.

Details of the performance fee charged are more fully described in the advisory agreement entered into with each client

### **Non-Discretionary Money Management Services**

The fee for non-discretionary money management services are negotiated on a case-by-case basis and are dependent on the complexity and extent of the services offered. Details of the non-discretionary investment management fee charged are more fully described in the advisory agreement entered into with each client.

### **Important Additional Fee Information**

#### Fee Only

Hofkin Capital Management is compensated solely by fees paid by its clients and does not accept commissions or compensation from any other source (i.e., mutual funds, insurance products or any other investment product).

#### Fees Negotiable

Hofkin Capital Management retains the right to modify fees, including minimum account sizes, in its sole and absolute discretion, on a client-by-client basis based on the size, complexity and nature of the advisory services provided. In addition, family accounts and accounts controlled by the same client are often combined for the purpose of computing the fee.

#### Direct Debiting of Client Accounts

All clients are required to authorize Hofkin Capital Management to arrange for payment of Hofkin Capital Management's fees directly from the client's account by the custodian.

In order for Hofkin Capital Management's advisory fees to be directly debited from a client's account, the client must provide written authorization permitting Hofkin Capital Management to bill the custodian. In addition, the account must be held by a qualified custodian and the qualified custodian must agree to send to the client an account statement on at least a quarterly basis. The account statement must

indicate all amounts disbursed from the account including the amount of advisory fees paid directly to Hofkin Capital Management.

Clients are informed that it is their responsibility to verify the accuracy of the fee calculation and that the account custodian will not determine whether the fee is properly calculated.

#### Termination of Client Relationship

The investment advisory contract is ongoing and does not have a fixed term. Either party may terminate the advisory contract at any time and any prepaid fees will be refunded. Refunded advisory fees will be pro-rated to the date of termination. Clients may obtain their refund in one of two ways – either by having the refund transferred directly into their account or by check.

Agreements for performance-based fee accounts have a minimum term of one year and automatically renew for a subsequent twelve (12) month term, unless either party serves notice within ten days after the end of any term.

#### Mutual Fund Fees

All fees paid to Hofkin Capital Management for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Hofkin Capital Management. In that case, the client would not receive the services provided by Hofkin Capital Management 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. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by Hofkin Capital Management to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### Trading and Other Costs

All fees paid to Hofkin Capital Management for investment advisory services are separate and distinct from transaction fees charged by broker dealers associated with the purchase and sale of equity securities and options. In addition, fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Please see the section entitled "Brokerage Practices" on page 10 of this disclosure brochure for additional information on brokerage and other transaction costs.



## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As stated in the “Fees and Compensation” section on page 2 of this disclosure brochure, under certain circumstances Hofkin Capital Management manages client accounts where it is eligible to receive a performance-based fee. In addition, Hofkin Capital Management may also manage client accounts where it is not eligible to receive performance-based compensation because under the terms of the applicable agreement, Hofkin Capital Management did not earn the performance-based fee. Situations – such as those described above - where Hofkin Capital Management manages both accounts that pay performance-based compensation and accounts that do not pay performance-based compensation give rise to certain conflicts of interest that have the potential to motivate Hofkin Capital Management to favor its performance-based account clients over other clients. For example, performance-based fees are typically significantly higher than the asset-based fees paid on traditional accounts. In addition, because performance-based compensation is not paid unless Hofkin Capital Management achieves a certain level of performance, the above described performance fee arrangement may create an incentive for Hofkin Capital Management to make investments that are more risky or more speculative than might be the case in the absence of a fee or allocation based on performance.

## **TYPES OF CLIENTS**

Hofkin Capital Management provides investment advisory services to individuals, pension & profit sharing plans, trusts, estates, religious or charitable organizations, corporations, and partnerships.

### **Engaging the Services of Hofkin Capital Management**

All clients wishing to engage Hofkin Capital Management for investment advisory services must sign an investment management agreement that governs the relationship with Hofkin Capital Management. The investment management agreement is written in plain English and describes the services and responsibilities of Hofkin Capital Management to the client. It also outlines Hofkin Capital Management’s fee in detail.

In addition to completing Hofkin Capital Management’s internal documents, clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents and funding of the account, Hofkin Capital Management will be considered engaged by the client. A client has an ongoing responsibility for ensuring that Hofkin Capital Management is informed in a timely manner of changes in the client’s investment objectives and risk tolerance.

### **Conditions for Managing Accounts**

Hofkin Capital Management does not place any conditions on starting or maintaining accounts. While there is no minimum account size requirement, accounts of \$100,000 or more would benefit most from Hofkin Capital Management’s services. Accounts under \$100,000 may be somewhat restricted with respect to

diversification of holdings and may be placed in mutual funds (which also incur separate management fees charged by the funds) instead of individual securities; and, with the \$500 minimum fee, accounts under \$25,000 would effectively pay a higher than standard management fee rate.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Types of Investments**

Hofkin Capital Management typically utilizes or offers advice on equity securities that are exchange-listed, traded over-the-counter, or foreign issuer; United States Treasury issues (notes, bonds, or bills); no-load mutual fund shares (including inverse funds that short the markets); and exchange traded funds (ETF's). Warrants, corporate debt securities, or municipal securities may occasionally come into play, but are atypical.

### **Investment Strategies**

The over-all investment strategy is based on a top-down approach to the worldwide and domestic economies and financial markets. However, individual stock selection is based on bottom-up analysis of each company. Accounts are managed on a completely flexible basis. Thus, depending on the market environment, Hofkin Capital Management portfolio managers may utilize any one or a combination of asset classes and investments to meet the client's investment objective. Hofkin Capital Management ordinarily makes purchases with the intention of holding for significant long-term capital appreciation. While "short term" or "trading" purchases are not usually intentional strategies, securities may be sold quickly if factors change so that long-term appreciation is no longer a viable outcome.

Short sales of stocks and ETF's and purchases of inverse no-load mutual funds (which increase in price when their underlying securities decline and vice versa) may be used to seek profits and/or to hedge in bear markets. Margin transactions are used almost exclusively to protect capital if significant market declines are anticipated and would ordinarily be utilized for selling short or purchasing inverse funds rather than for leveraging stock purchases.

### **Security Analysis**

Hofkin Capital Management's security analysis methods include charting, fundamental, technical, cyclical and monetary analyses obtained from outside research services.

### **Sources of Information**

In conducting security analysis, the main sources of information used by Hofkin Capital Management are financial newspapers and magazines; investment websites; research materials prepared by others; corporate rating and timing services; annual

reports, prospectuses, filings with the SEC; and company press releases. Hofkin Capital Management may also have direct contact with company management or make personal company visits.

## **Risk**

### In General

Investing in securities involves risk of loss that each client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's price due to a company specific event (e.g. unsystematic risk), or general market activity (e.g., systematic risk). In addition, certain strategies may impose more risk than others. For example, with fixed income securities, a period of rising interest rates could erode the value of bond since bond values generally fall as bond yields rise. Investment risk with international equities also includes fluctuation in currency values, differences in accounting and economic and political instability.

### Margin Transactions

When buying stocks on margin, you are employing leverage as an investing strategy. Leverage allows you to extend your financial reach by investing using borrowed funds while limiting the amount of your own cash you expend. Please note, however, that this can involve a high degree of risk. Some of these risks include:

- Losing more money than you have invested;
- Being required to deposit additional cash or securities in your account on short notice to cover market losses;
- Being forced to sell some or all of your securities when falling stock prices reduce the value of your securities; and
- Having your brokerage firm sell some or all of your securities without consulting you to pay off the loan it made to you.

### Exchange Traded Funds (ETFs)

Equity-based exchange traded funds are subject to risks similar to those of stocks. If the stock tracked within an ETF declines due to weakening fundamentals, crumbling technical support, global events, or any other market fluctuations, the value of the ETF will go down. Fixed income-based ETFs are subject to risks similar to those of bonds such as increasing interest rates. Investment returns will fluctuate and are subject to market volatility, so that an investor's ETF shares, when redeemed or sold, may be worth more or less than their original cost.

### Short Sale Risk

Short sales are speculative transactions and involve special risks. In order to initiate a short position, a security must be borrowed. Strategies that execute short sales may incur a loss if the price of the security sold short increases in value between the

date of the short sale and the date when we purchase the security to replace the borrowed security. Losses are potentially unlimited in a short sale transaction.

### Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

### Trading in Commodities

Commodity interest prices and other contract prices are highly volatile. Price movements of commodity interests are influenced by, among other things, changing supply and demand relationships, governmental, trade programs and policies, weather and national and international political and economic events.

Certain commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity cannot be taken or liquidated unless both a buyer and seller are willing to effect trades at or within the limit. Similar occurrences, or regulatory intervention in the commodity markets, could prevent Hofkin Capital Management from promptly liquidating unfavorable positions and adversely affecting profitability.

### Hedging Transactions

Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible to hedge against a fluctuation at a price sufficient to protect assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. In addition, it may not be possible to hedge against certain risks.

## **Cash Management**

To maintain trading flexibility, Hofkin Capital Management generally invests cash reserves in low-risk money market funds available through the client's custodian(s) but may also utilize U.S. treasury bills for cash reserves intended to be held somewhat longer.

## **DISCIPLINARY HISTORY**

Neither Hofkin Capital Management nor any of its supervised persons have any reportable disciplinary history.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Hofkin Capital Management is not engaged in any business or profession other than that of registered investment adviser.

Hofkin Capital Management is not registered as a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading adviser, and is not affiliated with any other entity. Neither Hofkin Capital Management nor any of its related persons is a general partner in any partnership in which clients are currently solicited to invest (with the exception of personal family partnerships that include family members who may also be clients).

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

### **Our Code of Ethics**

Hofkin Capital Management has adopted a Code of Ethics to prevent violations of the securities laws. The Code of Ethics is predicated on the principle that Hofkin Capital Management and its employees owe a fiduciary duty to its clients. Accordingly, Hofkin Capital Management expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. Hofkin Capital Management and its employees are required to adhere to the Code of Ethics. At all times, Hofkin Capital Management and its employees must (i) place client interests ahead of Hofkin Capital Management's; (ii) engage in personal investing that is in full compliance with Hofkin Capital Management's Code of Ethics; and (iii) avoid taking advantage of their position. Clients and prospective clients may request a copy of Hofkin Capital Management's Code of Ethics by contacting Janet Smith at 952-835-1185.

### **Prohibition on Use of Insider Information**

Hofkin Capital Management has also adopted policies and procedures to prevent the misuse of "insider" information. A copy of Hofkin Capital Management's Insider

Trading policies and procedures is available to any client or prospective client upon request. For a copy of Hofkin Capital Management's Insider Trading policies and procedures, please contact Janet Smith at 952-835-1185.

## **Participation or Interest in Client Transactions**

*Hofkin Capital Management or individuals associated with Hofkin Capital Management may buy, sell, or hold in their personal accounts the same securities that Hofkin Capital Management recommends to its clients.*

To minimize conflicts of interest, and to maintain the fiduciary responsibility Hofkin Capital Management has for its clients, Hofkin Capital Management has established the following policy: An officer, manager, or employee of Hofkin Capital Management shall not buy or sell securities for a personal portfolio when the decision to purchase is derived by reason of their employment with Hofkin Capital Management, unless the information is also available to the investing public as a whole. No person associated with Hofkin Capital Management shall prefer his or her own interest to that of any client. No person associated with Hofkin Capital Management shall trade against the interests of any client account. Personal trades in securities being purchased or sold for clients may only be made simultaneously with or after trades are made for clients. Hofkin Capital Management personnel may not anticipate trades to be placed for clients. In addition, Hofkin Capital Management requires prior approval of employee trades.

## **BROKERAGE PRACTICES**

### **Brokerage Selection**

#### Hofkin Capital Management Discretion

Unless otherwise instructed by the client, Hofkin Capital Management is given discretionary authority to select custodial and brokerage firms and to negotiate brokerage commissions.

There are generally two types of custodial investment accounts – brokerage or bank trust. Accounts held at a brokerage firm have their trades executed through that firm. Clients desiring increased safety of assets and/or access to tangible cash equivalents not available through conventional brokers may opt for a trust custodian which entails additional custodial fees detailed under separate disclosure. Accounts held at a trust company may have their trades executed through a variety of brokers.

#### Client Directed Brokerage

Certain clients may direct Hofkin Capital Management to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, Hofkin Capital Management is required to disclose that Hofkin Capital Management may be unable to negotiate commissions, block or batch orders or

otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates Hofkin Capital Management might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. However, clients that direct brokerage do not participate in payment of commissions for research products/services.

Hofkin Capital Management encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

### **Best Execution**

Best execution has been defined as the “execution of securities transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances.” The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer’s services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

Hofkin Capital Management might not obtain best execution for certain clients since its portfolio manager negotiates commission rates and, under such negotiations, some clients receive more favorable commission rates than others. Also, clients may incur transaction costs in addition to any commissions charged by the broker-dealer when trades in over-the-counter (OTC) securities are executed on their behalf through the broker-dealer on an agency basis; and broker custody of client assets may limit or eliminate Hofkin Capital Management’s ability to obtain best price and execution of transactions in OTC securities.

### **Broker Analysis**

Hofkin Capital Management evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer’s trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving Hofkin Capital Management.

Also in consideration is such broker-dealers’ provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by “soft dollars”, as further discussed in the “Research/Soft Dollars Benefits” section immediately below). Accordingly, if Hofkin Capital Management determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services

provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

Hofkin Capital Management's portfolio manager is responsible for continuously monitoring and evaluating the performance and execution capabilities of brokers that transact orders for our client accounts to ensure consistent quality executions. In addition, Hofkin Capital Management periodically reviews its transaction costs in light of current market circumstances and other relevant information.

### **Research/Soft Dollar Benefits**

Hofkin Capital Management receives indirect economic benefit inuring to the benefit of our clients in the form of soft dollar credits used to purchase research services and related equipment/software from non-clients (i.e. brokerage or research firms) in connection with giving advice to clients. Maintenance of the AXYS portfolio management software that Hofkin Capital Management uses in day-to-day operations, which includes non-research applications in the bundled package (i.e. administrative client reporting), is fully procured through soft dollar credits. While the use of soft dollar credits could be construed as a conflict of interest, Hofkin Capital Management considers their utilization to be in the best interests of our clients.

To bundle trades and obtain better commission rates and trading efficiencies for brokerage accounts, Hofkin Capital Management generally directs clients to one full-service broker that provides Hofkin Capital Management with both proprietary and independent research products/services. The latter is furnished through commission credits (soft dollars) generated in the normal course of trading and benefits all of Hofkin Capital Management's accounts, either directly or indirectly. Some of Hofkin Capital Management's clients may benefit more from Hofkin Capital Management's use of commission credits than others. Commissions may be higher than those obtainable for execution only or at other full-service firms, but are deemed to be reasonable. Hofkin Capital Management directs bank trust custody accounts to one trust company where trades are bundled and executed through various non-custodial brokers. Portfolio managers direct trades to the brokerage firms they deem to be providing the most valuable research services and/or expertise in trading particular assets. If in rare instances Hofkin Capital Management permits a client to designate a different custodian or broker than Hofkin Capital Management would ordinarily use, the client negotiates his/her own commission rates and relinquishes any opportunity for better execution prices and discounts or investment opportunities that may otherwise be available to Hofkin Capital Management by bundling with their other clients. However, these clients do not participate in payment of commissions for research products/services.

### **Brokerage Selection**

#### Hofkin Capital Management Discretion



Unless otherwise instructed by the client, Hofkin Capital Management also is given discretionary authority to select custodial and brokerage firms and to negotiate brokerage commissions.

There are generally two types of custodial investment accounts – brokerage or bank trust. Accounts held at a brokerage firm have their trades executed through that firm. Clients desiring increased safety of assets and/or access to tangible cash equivalents not available through conventional brokers may opt for a trust custodian which entails additional custodial fees detailed under separate disclosure. Accounts held at a trust company may have their trades executed through a variety of brokers.

### Client Directed Brokerage

Certain clients may direct Hofkin Capital Management to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, Hofkin Capital Management is required to disclose that Hofkin Capital Management may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates Hofkin Capital Management might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money.

However, when the client designates the broker, Hofkin Capital Management will assist the client in negotiating a commission discount with the broker which takes into consideration any special services the broker might be providing to the client, and whether the broker may be providing custodial services to the client. Occasionally, the client has a pre-existing relationship with the broker, so Hofkin Capital Management does not have significant influence in negotiating commissions in these instances, and commissions paid by the client with directed brokerage arrangements are generally higher than those otherwise obtainable.

Hofkin Capital Management encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

### **Trade Aggregation/Allocation**

It is the objective of Hofkin Capital Management to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients' accounts with substantially similar investment objectives and policies, Hofkin Capital Management may often seek to purchase or sell a particular security in each account. Hofkin Capital Management will aggregate orders only when such aggregation is consistent with Hofkin Capital Management's duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average

execution price in that particular security. All transaction costs will be allocated pro rata based on each client's participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated pro rata based on the assets of each account.

## **Trade Errors**

Trading errors created in an advisory account must be corrected so as not to harm the client. The client will not suffer any loss from errors determined to be the fault of Hofkin Capital Management and/or the broker-dealer. Hofkin Capital Management and/or the broker-dealer may use their discretion in passing along gains that result from any error or losses determined to be the fault of the client. Soft dollar arrangements cannot be used to correct any trade errors.

## **REVIEW OF ACCOUNTS**

### Reviews

Hofkin Capital Management's portfolio managers manage and review accounts autonomously. Discretionary accounts are reviewed on an ongoing basis, taking into account the client's primary objectives in light of the current investment environment.

### Reports

Formal reports are sent to clients on a quarterly basis along with comments on relevant market and economic conditions. Reports include quantity, cost and current value of account holdings, and investment results net of expenses in both dollar and percentage terms. Personal meetings and phone contact between portfolio manager and client are held as needed or desired.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, Hofkin Capital Management may retain solicitors to refer clients to Hofkin Capital Management. If a client is introduced to Hofkin Capital Management by either an unaffiliated or an affiliated solicitor, Hofkin Capital Management may pay that solicitor a referral fee in accordance with the all requirements of the Investment Advisers Act, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Hofkin Capital Management's portfolio management fee, and shall not result in any additional charge to the client.

If the client is introduced to Hofkin Capital Management by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of this written disclosure statement together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Hofkin Capital Management and the solicitor, including the compensation

to be received by the solicitor from Hofkin Capital Management. Any affiliated solicitor of Hofkin Capital Management shall disclose the nature of their relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this written disclosure statement.

## **CUSTODY**

Hofkin Capital Management is deemed to have custody because Hofkin Capital Management deducts its fees directly from client accounts.

Custody of client assets will be maintained with the independent custodian. Hofkin Capital Management will not have physical custody of any assets in the client's account. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Hofkin Capital Management to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. Clients are urged to carefully review account statements sent by their broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by Hofkin Capital Management.

## **INVESTMENT DISCRETION**

For those client accounts over which Hofkin Capital Management has discretion, Hofkin Capital Management requests that it be provided with written authority (e.g., limited power of attorney contained in Hofkin Capital Management's Investment Management Agreement) to determine the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments shall be submitted in writing.

Hofkin Capital Management generally has discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account and (2) the total amount of securities to be bought and sold. Hofkin Capital Management's authority in making investment-related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between Hofkin Capital Management and the client.

## **VOTING CLIENT SECURITIES**

### **Proxy Voting**

Hofkin Capital Management does not vote proxies on behalf of its clients. Therefore, the client maintains 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 proceeding or other type events pertaining to the client's investment assets.

Hofkin Capital Management and/or the client shall instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact Janet Smith at 952-835-1185 if they have questions regarding a particular solicitation.

### **Class Action Settlements**

Although Hofkin Capital Management may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **FINANCIAL INFORMATION**

### **Prepayment of Fees**

Because Hofkin Capital Management does not require or accept prepayment of more than \$500 in fees six months or more in advance, Hofkin Capital Management is not required to include a balance sheet with this disclosure brochure.

### **Financial Condition**

Hofkin Capital Management does not have any adverse financial conditions to disclose.

### **Bankruptcy**

Hofkin Capital Management has never been the subject of a bankruptcy petition.

## **PRIVACY NOTICE**

Hofkin Capital Management views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Hofkin Capital Management does not disclose any

nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Hofkin Capital Management may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Hofkin Capital Management restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Hofkin Capital Management. As emphasized above, it has always been and will always be Hofkin Capital Management's policy never to sell information about current or former clients or their accounts to anyone. It is also Hofkin Capital Management's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of Hofkin Capital Management's Privacy Policy, please contact Janet Smith at 952-835-1185.

## **INFORMATION FOR STATE REGISTERED ADVISERS**

### **A. Principal Officers and Management Persons**

The education and business background of the principal officers and management persons of Hofkin Capital Management is disclosed in each individual's brochure supplement (e.g., Form ADV Part 2B) a copy of which is provided to each client and is available upon request.

### **B. Other Businesses Actively Engaged In**

Hofkin Capital Management is not actively engaged in any business other than providing investment advice.

### **C. Performance-Based Fees**

As stated in Item 5 of this disclosure brochure, Hofkin Capital Management charge performance-based fees. Performance-based compensation may create an incentive for Hofkin Capital Management to recommend an investment that may carry a higher degree of risk to the client. Please see the disclosures on page 2 of this brochure for additional information on the calculation of performance-based fees.

### **D. Disciplinary Actions**

No management person has any disciplinary actions to disclose.

### **E. Issuers of Securities**

No management person has any relationship or arrangement with an issuer of securities.

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