

Hayek Kallen Investment Management LLC Brochure

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This brochure provides information about the qualifications and business practices of Hayek Kallen Investment Management LLC. If you have any questions about the contents of this brochure, please contact us at (251) 928-8999. 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 Hayek Kallen Investment Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Hayek Kallen Investment Management LLC is a Security & Exchange Commission (SEC) registered investment advisor. Registration with the SEC does not imply a certain level of skill or training.

Item 2: Material Changes since the last revision of our ADV Part 2, April 2010:

- Marc Smith joined the firm as a partner and portfolio manager – see the principals section for more information on Marc's background
- We opened an office in Charlottesville, Virginia
 - 3 Boars Head Lane, Suite E, Charlottesville, VA 22903
- We updated our standard fee scale – more information on our new fee scale can found in the fees and compensation section of this brochure

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Item 4: Our Advisory Business

Hayek Kallen Investment Management (“HKIM”, “We”, “Us”) provides investment and wealth management services to individuals and small institutions such as non-profit groups. Fred Hayek founded the firm in 1985 in Fairhope, Alabama. We also provide a variety of personal/business financial analysis as needed by our clients. Typically, these ancillary services are done at no additional fee, but an overly complex and/or time-consuming project might be billed on a pay-for-service basis.

Principals

Our principal owner is Eric Kallen. He joined the firm in 2002 following a career as an investment banker in New York and London with Morgan Stanley as Vice- President, Mergers and Acquisitions. Eric’s focus within the firm is portfolio management and security analysis. Eric’s opinions and analysis have been published in The Financial Times, The Wall Street Transcript and The Mobile Press Register. Eric received a BA from Washington & Lee University and an MBA from The College of William & Mary.

Overview of Services

We invest our clients’ assets in individual stocks and bonds using a balanced-value investment approach. Value investing is the fundamental analytic approach first introduced by Ben Graham in the 1930s – the concept of analyzing numerous companies and looking for ones that are priced at a discount to the intrinsic value of the underlying business. The equity market occasionally provides investors the opportunity to buy stocks at attractive prices as markets often over-react to short-term headlines while ignoring the long-term underlying strength in a business.

Most of our clients are in the asset preservation stage of their lives and we balance their equity portfolios with an appropriate allocation of individual bonds that serve two main purposes. First, bonds generally provide more stability to the portfolio and second, bonds can provide stable levels of income. Our traditional “value” approach to investing combined with our strategy of balancing a portfolio with an appropriate level of fixed income investments is how we derive the term ‘balanced-value.’

We manage accounts on an individual, customized basis and most of our clients have selected a 50/50 or 60/40 equity/bond asset allocation strategy. Cash also plays an important role in our client's accounts. Cash is generally accounted for in the fixed income allocation, but also serves as source of ‘dry powder’ for the equity allocation during market corrections.

While each account is managed individually, there is frequently overlap in holdings between accounts given that most of our core equity holdings are appropriate for a large number of our clients. A small number of our clients request restrictions on the manner in which we manage

their accounts. Examples would include not buying tobacco stocks or agreeing to hold a large, concentrated position. We work with clients on a case-by-case basis for these restrictions.

As of February 25, 2011, we managed \$209.1 million, all of which is managed on a discretionary basis. Most of our clients are billed on a percentage-of-assets basis and our fee structure is described in the next section.

Item 5: Fees and Compensation

We bill in advance and assess fees quarterly on the market value of the accounts at each quarter end. For example, a 1.00% annual fee will be broken into 4 quarterly payments of 0.25% each. We calculate the First Quarter management fee from the account value as of December 31st, and deduct the fee from the clients' account at the start of January. We do negotiate fees on a case-by-case basis and some of our clients pay a fixed fee instead of a percentage-based fee.

We assess our Basic Fee for our ongoing management of a client's brokerage accounts using these tiers:

Fixed Income Only Accounts

Annual Fee of .60% of Assets Managed

Balanced & Growth Accounts

Market Value of Assets		Scaled Annual Fee - as a % of Assets Managed
First	\$ 500,000	1.50%
Next	\$ 500,000	1.25%
Next	\$ 1,000,000	1.00%
Next	\$ 1,000,000	0.90%
Above	\$ 3,000,000	0.80%

We prorate fees to reflect the effective date of service and the effective date of termination. A client may terminate our services at any time by writing to us of their intention to do so. Upon termination, we refund the fees paid in advance by a check mailed to the client. Our pro rata refund may exclude a 30-day notice period, per our standard advisory agreement.

We will occasionally advise clients on their assets which we do not actively manage. Fees for this type of consulting are negotiated on a case-by-case basis, but are generally lower than our standard fee scale. This service may include market and security analysis, regularly scheduled meetings to review the client's position against their goals and guidance in structuring a portfolio with an appropriate amount of risk.

Other Fees and Expenses

Clients may incur other fees than those charged by us. Clients will see custodial and transactional costs charged by their custodians (Charles Schwab or TD Ameritrade), brokers and other third parties. Clients should review all fees charged to them, including our fees, and should fully understand the amount and reason for fees charged. We do not receive commissions for transactions in client accounts.

For details about brokers we use see "Our Brokerage Practices." For information about referrals fees we pay see "Client Referrals and Other Compensation."

Item 6: Performance-Based Fees and Side-By-Side Management

Hayek Kallen does not use performance-based fees.

Item 7: Our Clients

Our typical clients are individuals and families, but we also serve small organizations and non-profits. Most of our clients are in the asset preservation stage of their lives and we balance their equity portfolios with an appropriate allocation of individual bonds that serve two main purposes. First, bonds generally provide more stability to the portfolio and second, bonds can provide stable levels of income. Our traditional "value" approach to investing combined with our view of balancing a portfolio with an appropriate level of fixed income investments is how we derive the term 'balanced-value.'

Our stated minimum investment is \$500,000, but we do occasionally work with smaller accounts on a case-by-case basis.

Item 8: Our Methods of Analysis, Investment Strategies and Risk of Loss

We invest primarily in liquid equity and fixed income securities. We analyze and invest in companies from a variety of industries and geographies. Our primary focus is on investments in mid and large-cap companies (market values in excess of \$1 billion) that meet our valuation objectives and fit into our macro view of the global economy. We focus on larger companies because the risk associated with companies under \$1 billion is generally greater than we are comfortable taking given our typical clients' investment objectives.

We use what we call a balanced-value investment approach. This combines a traditional value-investing approach to security analysis with an asset allocation model that balances exposure to stocks and bonds.

We begin with a high level qualitative and quantitative analysis. Does the company provide needed products to a stable or growing market? Does it have a strong balance sheet? Does it

have a history of strong cash flow generation? Does it have a strong competitive position that reduces margin pressure? Answering these questions helps us determine whether or not we would consider investing in the company and leads to the next step in our investment process.

We compare the company to its closest peers-- we want to see what we like about the company versus its competitors. We study the company in terms of its suppliers and customers and determine if we believe we are buying the best-in-class company in a specific sector. Best-in-class can be defined many ways and our approach includes analyzing and discussing both quantitative and qualitative factors.

Finally, and most importantly, we determine whether we feel we are buying at an attractive price given our estimate of the underlying value of the business. We look at the pricing of the company's peers to see if we believe it is a good relative value and we also compare the market valuation to our internal valuation analysis. This gives us multiple valuation data points to decide if we believe the investment offers compelling return prospects.

We invest when we believe we have found an opportunity to own a portion of a quality company at an attractive price. While the analysis differs slightly from stocks to bonds, the same general framework applies. We look for companies we like and trust, and try to buy their securities when we think they offer an attractive value proposition.

From time to time, we use Electronically Traded Funds (ETFs) to get clients exposure to a specific sector or asset class in a highly liquid and efficient manner. Since we have already made an investment decision on the sector or asset class, we look for ETFs that are large enough to ensure liquidity and have a reasonable fee structure.

We also occasionally use mutual funds for smaller accounts that require a different investment approach. We look for mutual funds that employ a similar investment philosophy as we described above. We also study the Morningstar rankings for mutual funds to make sure we are buying our clients highly regarded funds. Finally, we examine the fees associated with particular mutual funds to ensure our clients are invested in funds with reasonable fee structures.

We take a long-term view with respect to how we invest and manage our portfolio. We are more concerned with where a stock will be 1-5 years in the future than we are about where it will be in a few weeks or months. The market is often irrational in the short-term, but we are confident markets eventually gravitate to the underlying value of a business and because of this belief, we are comfortable taking a longer-term approach to investing.

As with all investing, there is the risk of loss of principal. Investment decisions made for clients' accounts are subject to various market, currency, economic, political and business risks, and it is possible that some, or all, investment decisions will not be profitable. The prices of securities can, and will, fluctuate and any individual security may become worthless.

Item 9: Disciplinary Information

Hayek Kallen has no legal, criminal or disciplinary events to report.

Item 10: Other Financial Industry Activities and Affiliations

We are independently owned and operated and are not affiliated with any bank, brokerage firm, insurance company or other financial institution. We have no industry affiliations or memberships to report.

Item 11: Our Code of Ethics

We have adopted a Code of Ethics for all of our employees describing our high standard of business conduct, and fiduciary duty to our clients.

Code of Ethics

Our clients retain us to manage parts of their financial affairs and to represent their interests in many matters. We are keenly aware that, as fiduciaries, we owe our clients our undivided loyalty – our clients trust us to act on their behalf, and we hold ourselves to the highest standards of fairness in all such matters.

We expect all staff to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, clients, prospects, their employer, and their fellow employees.

We expect all staff to adhere to the highest standards with respect to any potential conflicts of interest with client accounts – simply stated, no officer or employee should ever enjoy an actual or apparent benefit over the account of any client.

We expect all persons associated with HKIM to preserve the confidentiality of information that they may obtain in the course of our business and to use such information properly and not in any way adverse to our clients' interests, subject to the legality of such information.

We expect our staff to conduct their personal financial affairs in a prudent manner, avoiding any action that could compromise in any way their ability to deal objectively with our clients.

Violations of this Code of Ethics may warrant sanctions as appropriate, up to and including suspension or dismissal, at the discretion of management. Whenever a member of our staff is unsure about the application of this Code, we encourage him or her to discuss the situation confidentially with a supervisor or officer.

Policies to Support our Code of Ethics

To support our Code of Ethics, we have enacted several policies to ensure that all our officers and employees are living up to that code on a daily basis. At all times, we must:

- *Restrict personal investing in full compliance with our Code of Ethics* – Our employees (including officers) hold and transact in some of the same securities we buy and sell for clients. Given the size of the typical companies we invest in relative to the size of our transactions, there is minimal risk that our trading could impact market prices. However, we recognize the potential conflicts of interest that can arise from this situation-- from employees receiving better prices to employees selling/buying when our clients are transacting in the opposite direction in the same security.

Our employee personal trading policy is designed to reduce, or eliminate both potential and perceived conflicts. Before transacting in a liquid, tradable security, all employees must get written approval to do so. As a general rule, employees may not transact for themselves in a given security on the same day we place a block trade for our clients, unless the employee trades alongside clients in the same block order. For transactions in one, or just a few, client accounts, our approval process ensures that we will not personally transact in that security around the same time we place our client trade. If an employee requests to trade in opposition to our recent client investment decisions, we require more information on the employee's rationale, which can justifiably be linked to liquidity needs, personal diversification, different investment strategies or asset allocations. We err on the side of conservatism and reject employee trade requests if we are concurrently, have recently, or intend to in the near future, trade the same security in a client's account.

- *Avoid taking advantage of our position* – We must not accept investment opportunities, gifts or other gratuities from individuals seeking to conduct business with HKIM, or on behalf of a client. However, employees may accept gifts from a single giver in aggregate amounts not exceeding \$100 annually, and may attend business meals, sporting events and other entertainment events at the expense of a giver, as long as the expense is reasonable and both the giver(s) and the employee(s) are present.
- *Maintain full compliance with the Federal Securities Laws* – We must abide by the standards set forth in Rule 204 A-1 of the Advisers Act and all other applicable federal securities laws. We strictly forbid trading on insider information.
- *Limit political donations* -- We must each obtain approval from the Compliance Officer prior to making a political contribution in accordance with the Investment Advisers Act of 1940.

We must promptly report any violations of our Code of Ethics to our Compliance Officer. We treat all reports of Code violations as being made on an anonymous basis.

Each member of our staff must complete the Code of Ethics Acknowledgement Form stating that he or she has received and understands the contents of the Code of Ethics, annually or as amended.

We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Item 12: Our Brokerage Practices

Account Custodians and Brokers We Use

Our clients maintain their managed assets in an account at either of two financial institutions: Charles Schwab & Co., Inc. a registered broker-dealer, member SIPC, or TD Ameritrade, a registered broker-dealer and member FINRA/SIPC/NFA. Any other custody arrangement would be reviewed on a case-by-case basis.

Our clients employ these custody agents to guard, safe keep and protect their securities, registered in their names. We are granted authority to direct trading in the managed accounts so that we may invest them per our advisory agreement with the client. Clients typically set up electronic transfer links to their own personal bank accounts so they can instruct us to move cash from their managed portfolios to their checking accounts on a regular or as needed basis. Clients do not grant us authority to withdraw funds, except our agreed upon management fee. (See "Custody").

We are independently owned and operated and have no bank, brokerage firm, insurance company or other financial institution affiliations. Charles Schwab and TD Ameritrade hold our client's assets in the client's brokerage account and buy and sell securities when we instruct the institution to do so. The client opens an account with Charles Schwab or TD Ameritrade by entering into an account agreement directly with them. We do not open accounts for our clients, although we may assist them in doing so. Even though Charles Schwab and TD Ameritrade maintain client accounts, we can still use other brokers to execute trades for the account as described below (see "Client Brokerage and Custody Costs").

How We Select Brokers/Custodians

We have chosen Charles Schwab and TD Ameritrade as custodians/brokers to hold client assets and execute transactions. Both custodians provide our clients with attractive service offerings on reasonable terms. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions for all of our clients
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- 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 Charles Schwab and TD Ameritrade”)

Client Brokerage and Custody Costs

Charles Schwab and TD Ameritrade generally do not charge our clients separately for custody services but charge commissions or other fees on trades they execute or settle into client accounts. We have no control over the fees charged by either Charles Schwab or TD Ameritrade. In addition to commissions, Charles Schwab / TD Ameritrade charge clients 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 the client's Charles Schwab/ TD Ameritrade account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize client trading costs, we have Charles Schwab or TD Ameritrade execute most equity trades for client accounts.

For fixed income trades we use several brokers who are often able to provide us with better liquidity, superior offerings and better pricing than our clients could get trading through Charles Schwab or TD Ameritrade. For this reason, we often use outside brokers to buy and sell fixed income securities.

We have determined that this trading approach is consistent with our duty to seek “best execution” of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including price, speed, certainty, liquidity and other factors.

Products and Services Available to Us from Charles Schwab and TD Ameritrade

Charles Schwab Advisor Services and TD Ameritrade Institutional are the business units within their respective firms that serve independent investment advisory firms. They provide us and our clients with access to their institutional brokerage— trading, custody, reporting, and related services—some of which are not typically available to Charles Schwab or TD Ameritrade retail customers.

Our custodians also make available various support services. Some of these services help us manage or administer our clients' accounts, while others help us manage and grow our business. These support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a minimum level of assets at each respective firm. We are currently significantly over the required minimum levels at each custody agent.

Services That Benefit Our Clients

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

Services That May Not Directly Benefit Clients

The custodians also make available to us other products and services that benefit us but may not directly benefit our clients. These products and services assist us in managing and administering our clients' accounts. They include investment research, both proprietary and third party research. We may use this research to aid in investment decision making for all or a substantial number of our clients' accounts. In addition to investment research, we also have access to 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
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us

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

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

These products and services may be provided directly by the custodian or by third-party vendors arranged by the custodian. The custodians may discount or waive their fees for some of these services or pay all or a part of a third party's fees. We may also receive other benefits, such as occasional business entertainment of our personnel.

Our Interest in These Services

The availability of these services from Charles Schwab and TD Ameritrade benefit us because we do not have to produce or purchase them. We don't have to pay for many of these services so long as our clients collectively keep a minimum level of assets in accounts at Charles Schwab and TD Ameritrade. We are significantly above required minimums at both custody agents. Beyond minimum asset levels, there are no other requirements to receive these services, such as minimum trade volume, etc.

The required minimum asset level may give us an incentive to recommend that our client maintain his or her account with Charles Schwab or TD Ameritrade, based on our interest in receiving these services that benefit our business rather than based on our client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. We believe, however, that our selection of Charles Schwab and TD Ameritrade as custodians and brokers is in the best interests of our clients. Additionally, we are significantly above the minimum asset levels at each firm, meaning, no one client or potential client is needed to retain our access to these custodian services.

Soft Dollars

We receive soft dollars from Charles Schwab. The amount of soft dollars we receive varies by year, but has historically been less than \$10,000 per year. We are allowed to pay for investment research or other strictly defined investment products or services with these soft dollars.

We currently use our Charles Schwab soft dollars to pay a portion of our annual fee for Schwab Performance Technologies, which offers an internet based system called Portfolio Center that provides us with tools and technology to assist with the analysis and management of client portfolios and securities.

We currently do not receive any soft dollars from TD Ameritrade.

Trade Aggregation

It is our practice, where feasible, to aggregate for the execution as a single transaction, orders for the purchase or sale of a particular security for the accounts of several clients (a block trade). The purpose of this practice is to ensure our clients receive similar execution and the most cost effective execution. There are times, given specific needs of individual clients or

accounts, that trade aggregation is not possible or desirable. In those instances, we trade individual accounts in a manner to get our clients best execution of those trades.

Item 13: Review of Client Portfolios

At least one of the portfolio managers reviews all accounts several times per quarter. We monitor the stock and bond holdings as well as the current cash balance in various accounts to ensure the current holdings are still meeting our clients' needs and expectations.

Various events trigger the timing of account reviews. We review accounts when we are looking to purchase new securities, or sell existing positions, to see which accounts would be appropriate for a certain transaction. We also review accounts on a one-off basis as various client deposits and withdrawals affect the composition of the account.

We typically meet with clients personally at least once a year to review their accounts and investment objectives. Face-to-face meetings with clients are supplemented with emails, our quarterly letter, webcasts and other forms of communication. We occasionally meet with clients on a more frequent basis if they have a specific request or have significant changes to the make-up of their accounts or their investment objectives.

We provide our clients with quarterly statements of their investment accounts in addition to the statements they receive from Charles Schwab or TD Ameritrade. Additionally we provide clients with appropriate tax documentation when needed.

Item 14: Client Referrals and Other Compensation

We receive referrals from a variety of sources – existing clients, CPA firms, law firms, etc. With the exception of our involvement in TD Ameritrade's Advisor Direct program, we do not pay referral fees for new client acquisition. As part of the Advisor Direct program, TD Ameritrade financial representatives occasionally refer potential clients to us that are in need of professional investment management. As compensation for these types of referrals, we agree to pay TD Ameritrade 25% of our fee for as long as the client remains our client and uses TD Ameritrade as their custody agent. The cost of this referral fee is entirely paid by us, not the client.

For greater detail on other compensation we receive from Charles Schwab and TD Ameritrade, please see the section "Our Brokerage Practices" above.

Item 15: Custody

Clients hold title to and possession of their funds and securities in accounts they open at Charles Schwab or TD Ameritrade. As the qualified custodians, Charles Schwab and TD Ameritrade are required to send, at least quarterly account statements to clients, which reflect

the current amount of funds and each security in the account as well as all transactions in the account for that time period. Through our ability to deduct fees directly from client accounts, we are deemed to have custody of client funds for the purposes of this section. As such, we encourage our clients to review the statements they receive from Charles Schwab or TD Ameritrade carefully and compare them to the quarterly statements we mail our clients.

Item 16: Our Investment Discretion

We retain investment discretion over all our clients' accounts in accordance with each specific client's Investment Policy. As such, while we have authority to buy and sell securities as we see fit, our clients are generally aware of the types of companies in which we invest. Before we sign up a new client we explain our approach to investing (described above) and the analytical framework we use to select securities.

After explaining our investment approach and agreeing to a plan with each client about their investing goals, we agree on an Investment Policy that outlines the broad goals and objectives of the account. This ensures that all parties are in agreement about the accounts' goals and the investing approach we will use.

Item 17: Voting Client Securities

We do not accept authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent. Clients may contact us directly with any questions about a particular solicitation.

Item 18: Financial Information

There are no financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients. We bill only three months in advance and the firm has no debt obligations of any kind.