



Item 1 – Cover Page  
**Firm Brochure**  
(Part 2A & B of Form ADV)

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This brochure provides information about the qualifications and business practices of Howland Capital Management LLC. For questions about the contents of this brochure, please call 617-357-9110. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), or by any state securities authority.

Additional information about Howland Capital Management LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 12, 2020

## **Item 2 - Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The last release of this brochure was on September 12, 2019. Since then, there have been no material changes to this brochure.

Copies of Howland Capital Management LLC's Firm Brochure may be obtained by calling 617-357-9110.

## Item 3 – Table of Contents

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## Item 4 - Advisory Business

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### Firm Description

Howland Capital Management LLC was founded as Blackstone Management Corporation in 1967. The name of the firm was changed to Howland Capital Management, Inc. in 1994. In 2012, the firm was restructured under the same ownership and management and is now Howland Capital Management LLC.

Howland Capital Management LLC (HCM) provides personalized, confidential investment management to various types of clients and invests in publicly and privately traded securities.

HCM generally provides investment advice to:

- Individuals and families
- revocable and irrevocable trusts
- retirement and pension accounts
- custodian accounts and educational trusts
- foundations and charitable organizations
- endowments for non-profits
- estates

The investment advice provided by HCM is variable depending on the needs, objectives and other preferences of the client. Advice is provided through consultation with the client and can include:

- determination of financial objectives
- investment management
- cash flow management
- tax planning
- insurance review
- education funding
- retirement planning
- estate planning
- identification of financial problems

Client accounts are managed on a separate account basis.

The initial meeting with a prospective client or client family is an exploratory interview to determine the extent to which investment management may be beneficial.

Once a prospective client signs an Investment Advisory Agreement and becomes a client, the account opening process begins. As part of the account opening process, the manager develops an in-depth knowledge of the client's financial situation, which is reflected in the Investment Policy Statement (IPS).

HCM is strictly a fee-only investment advisory firm. The firm is not affiliated with entities that sell financial products or securities.

HCM employs the services of National Advisors Trust Company, FSB (NATCo) to act as the qualified custodian for most HCM clients. NATCo is based in Kansas City, MO.

HCM also provides tax consultation and tax return preparation to its clients for a separate fee.

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**Principal Owners**

Weston Howland III and Charles E. Clapp III are the majority members holding 70% of the outstanding stock, each with approximately 35%.

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**Types of Advisory Services**

HCM provides investment advisory services, also known as asset management services.

HCM frequently furnishes advice to clients on matters not involving securities, such as financial planning, taxation, and trusts, including estate planning.

As of December 31, 2019, HCM managed \$2,253,697,414, on a discretionary basis.

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**Tailored Relationships**

The goals and objectives of each client are documented in HCM's client relationship management system. Investment Policy Statements are created to reflect the client's stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

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**Types of Agreements**

The following agreements define typical client relationships:

**Investment Advisory Agreement -**

HCM provides investment management services to all of its clients.

The scope of the work and fee structure is provided to the client prior to the start of the relationship and is described in the Investment Advisory Agreement. The Investment Advisory Agreement covers such areas as the development of an investment program, custody and fees, reports to clients and client confidentiality.

The client's financial affairs are reviewed, including those of their children if requested. Realistic and measurable goals are determined and objectives are set to reach those goals. As goals and objectives change over time, recommendations are made and implemented on an ongoing basis.

HCM cannot transfer an Investment Advisory Agreement without client consent.

Please refer to Item 5 of this brochure for applicable fee schedules.

**Tax Engagement Letter -**

Tax consultation and preparation work are performed separately and billed on an hourly basis.

HCM has the right to terminate any of the aforementioned agreements at any time by notifying the client in writing. Similarly, a client is able to terminate an Advisory Agreement by notifying HCM in writing. Please refer to Termination of Agreement below regarding the billing procedure for the final fee.

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**Asset Management**

Assets are invested primarily in:

- Agency and treasury securities
- equities (stocks) - domestic and international
- mutual funds (open & closed ended), exchange-traded funds
- municipal, agency and corporate bonds
- private equity and private pooled investments

For mutual funds, HCM is generally able to buy institutional class shares that charge lower fees. Mutual fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. HCM does not receive any compensation, in any form, from fund companies.

Stocks and bonds are purchased or sold through a small group of broker dealers chosen by the firm based on the quality of their research and their ability to deliver best execution trades. The brokerage firms used receive commission on the stocks and bonds traded. This commission is passed on to the client and is included in the total price the client pays for the stock or bond.

HCM also manages private equity and private pooled investments. Please refer to Item 8 for more information on these private investments.

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**Valuation of Securities****Publicly Traded Securities -**

HCM has a valuation policy that defines how the value for securities held in HCM's client accounts is determined. Equities listed on any stock exchange, mutual funds, index funds and exchange traded funds are valued daily. Bonds are valued on a daily, weekly, or monthly basis, depending on the type.



**Pooled Investments (HCM Venture Funds)-**

HCM relies on the capital account valuation provided in the quarterly reports published by the underlying funds held in the pool. In general, these funds follow valuation guidelines, FASB No. 157, that have become universal for most venture capital funds. Valuation of these funds is ongoing. All documentation is held in either electronic or paper form, and in some cases both.

**Private Equity Chosen by HCM -**

In the small number of private companies where HCM makes a direct investment, the security is valued at cost until there is a significant event that the principals of the firm believe warrants a change in price. A significant event is generally defined as a major deviation from the business plan or a financing where an independent third party values the company. In the event that HCM is unable to substantiate an updated price, it continues to value the asset at cost but typically waives the client fee associated with the asset and removes it from performance calculations.

**Private Equity Chosen by Clients –**

Under certain circumstances, HCM may hold private equity selected by clients in their accounts. In these situations, it is the client's responsibility to furnish the firm with an initial price and any pricing updates.

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**Termination of Agreement**

A client is able to terminate an Advisory Agreement by notifying HCM. As of the termination notice date, the advisory agreement is terminated and all services to the account are stopped. At termination, fees are billed on a pro rata basis for the portion of the quarter completed up to the termination notice date.

A client is able to withdraw, in whole or in part, any assets held in the account by providing notice to HCM and NATCo, subject to reasonable delays necessary to obtain the transfer of securities or to convert assets into cash for subsequent transfer.

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**Item 5 - Fees and Compensation****Description**

The annual investment advisory fee is based on a percentage of the assets under management according to the following schedule, which became effective on July 1, 2003:

- 1.00% on the first \$1,000,000 (from 10 to 1,000,000)
- 0.60% on the next \$1,000,000 (from 1,000,001 to 2,000,000)
- 0.50% on the next \$1,000,000 (from 2,000,001 to 3,000,000)
- 0.35% on the next \$1,000,000 (from 3,000,001 to 4,000,000)
- 0.25% on the assets above \$4,000,000

An example of the fee for an account with \$5,000,000 under management:

• \$10.00 per \$1,000 for first	\$1,000,000	\$10,000
• \$ 6.00 per \$1,000 for next	\$1,000,000	\$ 6,000
• \$ 5.00 per \$1,000 for next	\$1,000,000	\$ 5,000
• \$ 3.50 per \$1,000 for next	\$1,000,000	\$ 3,500
• \$ 2.50 per \$1000 thereafter	\$1,000,000	<u>\$ 2,500</u>
• Total Annual Fee in dollars		\$27,000
• As a Percentage of assets		.54%

Some client relationships exist wherein the fees are affected by certain situations such as unsupervised un-feed assets in an account or consolidation of assets across a family group.

Tax consultation, tax return preparation and estate administration services are also available. The fees for these services are based on an hourly rate and are in addition to the investment advisory fee.

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### Fee Billing

Investment advisory fees are billed quarterly, in arrears, meaning that the client is invoiced after the three-month billing period has ended. Fees are collected quarterly based on the valuation of the account made on the last business day of the quarterly cycle (last day of the third month), then billed on or around the 16<sup>th</sup> day of the following month.

Fees are typically deducted from the designated client account to facilitate billing. Upon request, a client can have the fees for an IRA billed to their taxable account. In some circumstances, it is desirable for the fees of the client's taxable account to be billed to the client's IRA. Alternatively, a client can choose to be billed directly rather than have the fees deducted from the account. Payment in full is expected upon invoice presentation. Errors in fee calculation are rare because of frequent monitoring, but in the event a management fee is overcharged to a client account, the client will be reimbursed the overcharged amount plus interest.

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### Other Fees

Custodians charge a separate fee for the custodial services they provide. For clients using NATCo as their custodian, HCM covers the custody fee on behalf of its clients.

Custodians typically charge transaction fees on purchases or sales of most funds as well as wire transfer fees for certain cash remittances. These transaction charges are usually small and incidental to the purchase or sale of a fund or wire transfer of money. NATCo's transaction charges/wire fees charged to clients are in addition to the HCM investment advisory fee.

The following additional annual administration fees are charged to these specific kinds of accounts: Charitable Remainder Trusts \$2,500, Insurance Trusts \$300 and

Probate Accounts \$150. A \$100 closing fee is charged by our custodian to close each account.

**Fund Expenses -**

HCM uses open-end and, on occasion, closed-end mutual funds which charge a management fee as part of the overall expense ratio to the fund shareholders. This expense ratio is deducted from the net asset value of the funds and is paid by clients in addition to the management fee that HCM charges. The investments that HCM makes in exchange traded funds also have this additional fee, which is typically lower than that for mutual funds.

Performance figures quoted by mutual fund and ETF companies in various publications are after their fees have been deducted.

Fees and other compensation payable to HCM, as a manager of pooled investment funds, are described in Item 8.a

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**Past Due Accounts and Termination of Agreement**

HCM reserves the right to terminate any account or engagement whose bill is more than 60 days overdue. In addition, HCM reserves the right to terminate any tax service engagement in which a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in HCM's judgment, to preparing their tax return.

## **Item 6 - Performance-Based Fees**

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains of managed securities.

HCM does not use a performance-based fee structure.

## **Item 7 – Types of Clients**

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**Description**

HCM generally provides investment advice to

- Individuals and families
- revocable and irrevocable trusts
- retirement and pension accounts
- custodial accounts and educational trusts
- foundations and charitable organizations
- endowments for non-profits
- estates

HCM also provides investment advice on a discretionary basis to pooled investment vehicles investing in venture capital funds, leveraged buy-out funds, hedge funds, and private placements of the stock of operating companies. Please refer to Item 8 for more information about these investments.

Client relationships vary in scope and length of service depending on the objectives and desires of the client.

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**Account Minimums**

As a general rule, HCM does not impose a minimum dollar amount or other conditions for opening or maintaining an account.

However, the minimum capital commitment for client participation in HCM Venture Fund II, LLC and HCM Venture Fund III, LLC is \$15,000, and the minimum for participation in HCM Venture Fund IV, LLC, HCM Venture Fund V, LLC, HCM Venture Fund VI, LLC, HCM Venture Fund VII, LLC and HCM Venture Fund VIII, LLC is \$50,000.

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

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**Methods of Analysis**

Security analysis methods can include fundamental analysis, technical analysis, and macro/cyclical analysis. HCM's main sources of information include:

- FactSet
- filings with the Securities and Exchange Commission
- company press releases
- interviews of company management by HCM advisors
- annual and quarterly reports
- prospecti
- reports from brokers
- corporate rating services
- research materials prepared by others, e.g., ValueLine, Morningstar, The Bank Credit Analyst and Empirical Research.
- analysis of corporate activities
- financial publications
- conferences
- internal meetings

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**Investment Strategies**

An Investment Policy Statement (IPS) is created for each client at the inception of the relationship and is the "play book" to which both the client and manager refer in the management of the account. The IPS reviews risk tolerance, time horizon, income needs, specific client restrictions and other relevant factors that are important elements in detailing a client's investment objectives. Portfolio managers are responsible for implementing the IPS for their clients and meeting with them on a periodic basis to make sure that changes in the client's circumstances and corresponding changes in investment objective, if necessary, are captured in the IPS.

With some exceptions or “special situations,” HCM manages four distinct model portfolios, each with varying risk parameters and return objectives. Asset allocation to stocks, bonds, and other asset classes varies for each model in accordance with these risks and return objectives, as well as with income needs of the client. The four models are:

- Aggressive Growth
- Growth
- Growth & Income
- Income

While the models help to ensure that HCM is following a consistent approach, HCM’s client accounts don’t always exactly match these models.

Factors such as those listed below explain deviation from a model at any given time:

- specific client requests to maintain a minimum cash balance
- timing and size of cash flows
- dollar cost averaging strategies in an investment program
- client risk profiles that do not match the model
- consideration of other assets that are held in separate accounts at HCM or outside of HCM
- specific client instructions

The factors above often prevent the exact mirroring of a client account to the model. The Investment Committee, consisting of the portfolio managers, meets weekly and is responsible for reviewing the asset allocation of each of the models and other relevant factors that are integral to a disciplined investment program.

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### **Risk of Loss**

All of HCM’s investment programs have varying degrees of the following risks:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause security prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of an equity, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events that affect security prices.
- **Inflation Risk:** When inflation is present, a dollar next year will buy less than a dollar today because over time, purchasing power declines at the rate of inflation.
- **Exchange Rate Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating

country. This kind of risk may be reflected in the value of a stock of a non-US company or of a US company with overseas sales and/or operations.

- **Reinvestment Risk:** Future proceeds from investments may have to be reinvested at a lower rate of return (i.e. interest rate). This risk primarily relates to fixed income securities.
- **Business Risk:** This risk is associated with a particular industry and company within the industry. For example, a mining company must first find a natural resource to mine, remove it from the ground and process it before it can generate a profit. It is also dependent on demand for the natural resource, which can fluctuate depending on macroeconomic conditions. A mining company carries a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity regardless of the economic environment.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in buying and selling them. For example, Treasury Bills are highly liquid and therefore less risky than real estate, which is quite illiquid.
- **Financial Risk:** Excessive borrowing to finance business operations increases the risk to profitability because the company must meet the terms of its debt obligations – including making interest payments – during good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Our investment approach constantly takes into account the potential of loss from any of the aforementioned risks.

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## **Private Investments**

### **Pooled Investments -**

HCM manages a number of pooled investments. These investment pools were created for those clients for whom the particular investment opportunity seems appropriate and suitable in light of their financial situation, investment goals, restrictions and sophistication.

A client is included in the pool only after they have had an opportunity to review the disclosure documents related to the particular investment opportunity. However, their participation is driven by factors, many of which the firm does not control. They include:

- whether the client is an eligible investor
- whether the client has the necessary cash to make the investment
- whether the client's account is below or above the target allocation for private equity
- whether the client is interested in the particular opportunity

As a result, not all of HCM's clients who have an interest are necessarily participants in the pooled investments.

HCM has formed and acts as manager to these pooled investment funds:

- HCM Venture Fund II, LLC
- HCM Venture Fund III, LLC
- HCM Venture Fund IV, LLC
- HCM Venture Fund V, LLC
- HCM Venture Fund VI, LLC
- HCM Venture Fund VII, LLC
- HCM Venture Fund VIII, LLC

These funds invest in private funds such as venture capital funds, hedge funds and leveraged buy-out partnerships. In monitoring such investments, HCM receives and reviews quarterly reports from the funds' portfolio investments, attends their annual meetings and prepares an annual report updating the pool participants on the progress and performance of the pool.

There are three fees involved with the pooled investment funds (HCM Venture Funds) that HCM manages:

1. As with any asset under management, HCM charges an investment advisory fee based on the market value of the assets in the account. The value of an HCM Venture Fund is included in the overall market value of the assets in the client's account.

The following two fees are also included as part of the client's dollar commitment to an HCM Venture Fund:

2. HCM charges an administration fee. The fee is based on the capital that the HCM Venture Fund has committed to underlying funds. The basis upon which the fee is calculated is outlined in the offering documents for each of the above identified HCM Venture Funds. Any legal fees associated with the start-up of the HCM Venture Fund are also charged to the Fund.
3. The underlying funds of the HCM Venture Funds charge a management fee, the calculation of which is outlined in each fund's offering document. HCM does not charge a performance based fee on any of the funds.

**NECP Investment Program -**

HCM also manages an investment program through which client funds are invested in portfolio companies of New England Capital Partners in accordance with Rule 3A-4 of the Investment Company Act. Each participating client retains the right to:

- Withdraw their proportionate share of the securities or cash;
- Vote securities or delegate the authority to vote securities to another person;
- Be provided in a timely manner with a written confirmation or other notification of all securities transactions;
- Proceed directly as a securities holder against the issuer of any security in the program and not be obligated to join any person involved in the operation of the program, or any of HCM's other clients, as a condition precedent to initiating such proceedings.

Under this program, it is the client's responsibility to advise HCM in writing of any changes in their financial situation, objectives or restrictions relating to the investment, and to give HCM prompt notice if they deem any investment decisions or recommendations made for the account to be in violation of such restrictions. At least annually, HCM will advise the client of this responsibility and provide the appropriate contact information. This investment program is not opened to new investors.

**Direct Private Investments –**

On occasion, HCM makes direct investments in individual companies for accredited investors. These direct investments are normally made alongside partners with whom we have previously invested such that we do not assume the "lead investor" role. The individual investments are made only for those clients for whom the investment opportunities seem appropriate and suitable in light of the client's financial situation and sophistication.

HCM will also hold a private equity investment in a client account at the request of the client. As stated in Item 4, with a client-directed private equity investment, it is the client's responsibility to monitor the investment and to furnish the firm with an initial price and pricing updates.

## **Item 9 - Disciplinary Information**

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**Legal and Disciplinary**

HCM and its employees have not been involved in legal or disciplinary events related to past or present investment clients.



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

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### **Financial Industry Activities**

Howland Capital Management LLC is an Investment Adviser registered with the Securities and Exchange Commission.

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### **Affiliations**

HCM has no arrangements that are material to its advisory business or to its clients with a related person who is a broker-dealer, investment company, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

HCM has one arrangement with a sub- advisor, Boston Harbor Investment Management, LLC, that is used on occasion at manager discretion when appropriate and with client approval.

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

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### **Code of Ethics**

In accordance with the Investment Advisers Act of 1940 (“Advisers Act”), HCM has adopted a Code of Ethics (“Code”). Its purpose is to preclude activities that might lead to, or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. This Code is based upon the principle that HCM and its employees have a fiduciary duty to conduct their affairs, including their personal securities transactions, in such a manner as to avoid serving their own personal interests ahead of clients’, taking inappropriate advantage of their position with the firm, engaging in activities that pose an actual or potential conflict of interest, or abusing their position of trust and responsibility.

Further, the Code prohibits HCM and its employees from engaging in fraudulent, deceptive or manipulative conduct. HCM expects all of its employees to demonstrate the highest standards of ethical conduct and to act in a manner that is solely in the best interests of its clients. Annually, this Code is reviewed and all employees are required to certify that they understand and will comply with all of its provisions. Failure to comply with the policies and procedures set forth in the Code can lead to disciplinary action or termination.

HCM’s Code of Ethics is available for review by clients and prospective clients upon request.

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

HCM, through its profit sharing plan or one or more of its employees and their family members, often has an interest in securities or investment products

recommended to or owned by clients. HCM is aware that this situation could pose a conflict of interest and has policies in place to monitor transactions closely.

See “Personal Trading” below for more details.

### **Arms Length Transactions**

From time to time, HCM effects a type of cross trade, where one client of HCM is buying from or selling to another client of HCM the same security (generally individual bonds) and where HCM does not receive any compensation for this activity. These trades are infrequent and are only completed when the cross trade meets the following two criteria:

- The transaction is in the best interest of both parties.
- The transaction is performed as an arms-length trade, executed through one of HCM’s approved brokers to ensure current and fair pricing and execution for both parties.

### **Principal Trades –**

HCM does not hold inventory with which to conduct principal transactions with clients. It therefore does not and cannot conduct such trades.

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### **Personal Trading**

All employees of HCM and their family members living in the same household are required to comply with the company’s Policies and Procedures for the Prevention of Insider Trading and Personal Securities Transactions (“the Procedures”). The Procedures require all employees and their families to handle their personal securities transactions in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility. The Procedures require quarterly reporting of all securities transactions by HCM employees and their household family members.

## **Item 12 - Brokerage Practices**

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### **Selecting Brokerage Firms**

HCM generally has discretion over the placement of trades for its clients. In selecting brokers and placing orders, it is the policy of HCM to seek the best execution for each transaction, taking into account price, promptness of execution and other advantages to its clients, as well as certain other relevant factors. These factors include:

- the size and nature of the transaction
- the nature of the market for the security
- the broker’s ability to execute a particular trade
- the broker’s specific industry and regional expertise
- the level of broker service

- the quality of the broker's research provided to HCM
- the capability, experience and financial condition of the broker

At the beginning of each year, HCM reviews each brokerage relationship and assesses the prior year's performance against the factors mentioned above. Based on this assessment, a tiered ranking and amount of commission budgeted for the coming year is set. Each quarter, the portfolio managers review year-to-date commission figures and make adjustments as necessary.

HCM does not receive fees or commissions from any of its broker arrangements. Additionally, HCM does not have any directed brokerage arrangements nor does it have any affiliation with product sales firms.

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### **Best Execution**

In seeking best execution, HCM is not obligated to solicit competitive bids or offers for each transaction or to seek the lowest available commission cost, so long as HCM reasonably believes that the broker selected can be expected to obtain a "best execution" market price on the particular transaction and determines in good faith that the commission charge associated with the transaction is reasonable in relation to the value of the brokerage and research services provided by such broker to HCM.

HCM utilizes the services of an outside firm, GT Analytics, to analyze all equity trades each quarter. Their analysis helps determine whether the brokers we utilize are able to achieve an execution price in line with those of other market participants at a given time.

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### **Soft Dollars**

HCM utilizes research-related products and other brokerage services on a soft dollar commission basis. HCM's soft dollar policy is to make a good faith determination of the value of the research products or services in relation to the commissions paid. HCM maintains soft dollar arrangements for those research products and services that assist HCM in its investment decision-making process. The research services provided to HCM by brokers include research reports, analyst meetings and access to investor conferences.

In addition, HCM has a soft dollar third party arrangement with Fidelity Investments, which pays a portion of the on-line research services of FactSet. Soft Dollar trades are executed through Fidelity Investments' electronic trading system.

This soft dollar arrangement with Fidelity benefits HCM because soft dollars partially offsets the expense of a costly research product. It benefits clients because of the value FactSet adds to HCM's research process.

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**Order Aggregation**

In general, investment decisions for each client (or group of clients with a similar investment objective) are made independently from those of other clients and are made with specific reference to the individual needs and objectives of each client account (or group of client accounts). Because investment decisions usually affect more than one client account and sometimes more than one type of account (e.g., a trust and an IRA), client orders are often aggregated consistent with HCM's duty to obtain best execution for its clients.

HCM's Order Aggregation Procedure is designed to ensure that buy and sell opportunities, which have been aggregated, are allocated fairly among clients so that all clients are treated equitably, given their investment objectives. This procedure also seeks to ensure best execution and reasonable efficiency in client transactions.

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**Trade Errors**

In the event of errors in the handling of client transactions, HCM's policy is to identify and correct such errors as promptly as possible without disadvantaging the client or benefitting the firm in any way. Erroneous client transactions are corrected and the client is reimbursed for any loss.

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

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**Periodic Reviews**

Each client account is reviewed quarterly by the Portfolio Review Committee, which consists of HCM's portfolio managers. In addition, securities in accounts and asset allocations are reviewed at other times to determine whether they continue to meet the client's investment objectives and restrictions. These reviews take place both with and without the client.

Other conditions that could trigger a review are changes in the tax laws, new investment information or changes in a client's personal situation that would affect the Investment Policy Statement.

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**Regular Reports**

Clients receive quarterly account statements from HCM identifying their assets under management, the value of the accounts at the beginning and end of the period and all transactions that occurred during the period. When HCM sends these reports to a client, they include a review letter that discusses the statement. Clients also receive the firm's quarterly Economic and Market Commentary, which recaps the activity in the major markets and provides an outlook for the quarters ahead. Clients also receive separate quarterly statements directly from the custodian (see Item 15).

**Pool Investors-**

Clients receive a quarterly statement from the custodian for each of their pooled investments identifying the underlying investments in the pool, the value of the pool at the beginning and end of the period and all transactions that occurred during the period. Annually, HCM prepares a balance sheet and a partners' letter for each pooled investment fund. The letter recaps the activity in, and outlook for the fund and is sent to each fund investor.

**NECP Investment Program investors –**

In addition to a review of the outlook for the funds in this program, the annual management letter notifies clients that they should contact HCM if there have been any changes in their financial situation, investment objectives or restrictions relating to the account.

Typically, all aforementioned reports are mailed to clients; however clients may choose to have their statements delivered electronically by providing authorization.

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

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**Referrals**

HCM has been fortunate to receive many client referrals over the years. The referrals have come from current clients, estate planning attorneys, accountants, brokers, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

HCM does not accept referral fees or any form of remuneration from other professionals when it refers a client or prospect to another firm.

## **Item 15 - Custody**

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**Account Statements**

For the majority of our clients, NATCo provides custodial services. Clients receive quarterly statements directly from NATCo either in paper or electronic form, depending on their preference.

Clients are urged to compare the account statements they receive from the custodian to the account statements they receive from HCM.

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**Performance Reports**

Performance reports are generated by Tamarac, HCM's portfolio reporting and performance vendor, with information extracted from NATCo. These reports are run on individual accounts as well as in a consolidated format based on family relationships and are part of the quarterly report package sent to clients.

## Item 16 - Investment Discretion

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### **Discretionary Authority for Trading**

HCM has discretionary authority to manage accounts on behalf of its clients and the authority to determine, without obtaining specific client consent, the securities and the amount of the securities to be bought or sold. This authority is granted by clients when they sign HCM's Investment Advisory Agreement.

HCM does not receive any portion of the transaction fees or commissions (except as previously described in Soft Dollars) paid by the client to the custodian or broker on trades.

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### **Limited Power of Attorney**

A limited power of attorney constitutes a trading authorization for this purpose. By signing our Investment Advisory Agreement, clients assign a limited power of attorney so that we may execute trades on their behalf.

## Item 17 - Voting Client Securities

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### **Proxy Votes**

HCM votes proxies for securities over which it maintains discretionary authority, consistent with its Proxy Voting Policy.

HCM has a policy that is designed to ensure that proxies are voted in the best interest of its clients. HCM considers the "best interests" of its clients to mean their best long-term economic interests. When conducting proxy voting, HCM considers various factors, including whether any conflicts of interest exist between an HCM employee and the company as well as specific company factors. Generally, in the event that HCM has a material disagreement with the management of an issuer, it will sell the shares rather than attempt to effect change through the proxy voting process. Clients have the option to vote proxies for their shares themselves. Clients may indicate this choice on a section of the Investment Advisory Agreement.

This policy also includes a procedure designed to address conflicts in the unlikely event that a proxy vote presents a conflict of interest between HCM and its clients.

Copies of the Proxy Voting Policy and information about how clients' proxies were voted are kept in either electronic or paper form and are available upon request.

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### **Class Action Litigation**

HCM has engaged Chicago Clearing Corporation (CCC) to provide class action litigation monitoring and securities claim filing services. CCC's sole business is securing class action claims. CCC monitors each claim involving HCM's clients, collects the applicable documentation, interprets the terms of each settlement, files the appropriate claim form, interacts with the administrators and distributes the award on behalf of each client. The awards are wired directly to NATCo for the benefit of each applicable client's account. CCC

charges a contingency fee of 20%, which is subtracted from each client's award when paid. Clients generally cannot opt out of receiving CCC's claim services through the firm.

## **Item 18 - Financial Information**

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### **Financial Condition**

HCM does not have any financial impairment that precludes it from meeting contractual commitments to clients.

HCM is not required to file a balance sheet.

## **Item 19 - Business Continuity Plan**

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HCM has a Business Continuity Plan (the Plan) in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

The Plan covers natural disasters such as snow storms, hurricanes, tornados, flooding and pandemics. The Plan also covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat or bomb, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up hourly to a remote site.

A plan has been created to support ongoing operations in the event the main office is unavailable. It is HCM's intention to contact all clients within five days of a disaster that necessitates moving HCM's office to an alternate location. All clients have both a primary and secondary or co-manager on their affairs. In the event the firm is completely unable to operate, NATCo has instructions on how to contact clients. HCM has arranged for one of its former portfolio managers who is living out-of-state to ensure that NATCo follows instructions.

HCM has key man insurance to cover the financial obligations of the two largest shareholders of the firm.

## **Item 20 - Information Security Program**

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### **Information Security**

HCM is committed to maintaining the confidentiality, integrity and security of the personal information of its clients.

HCM maintains a cybersecurity policy and an information security program to reduce the risk that client personal and confidential information may be breached. HCM complies with the Standards of the Protection of Personal Information of

Residents of the Commonwealth of MA 201 CMR 17.00, which it applies to all HCM clients, as well as the European Union General Data Protection Regulation.

The categories of nonpublic information that HCM collects from clients include information about personal finances, information about their families to the extent that it is needed for the financial planning process, and information about transactions between clients and third parties. We use this information to help clients meet their personal financial goals.

Upon client request, HCM discloses limited information to attorneys, accountants, and mortgage lenders with whom the client has established a relationship. In connection with servicing client accounts, client information is shared with certain non-affiliated service providers, such as transfer agents, custodians or other service companies.

HCM maintains a secure office to ensure that client information is not placed at unreasonable risk. HCM employs a firewall barrier, secure data encryption techniques and authentication procedures in its computer environment. All HCM employees are required to attest to having read and understood relevant policies and in doing so assure their compliance with this Program.

HCM does not provide client personal information to mailing list vendors or solicitors. Federal and state securities regulators may review HCM's company records and client personal records as permitted by law.

Personally identifiable information about clients is maintained while they are clients of HCM, and for the period thereafter that records are required to be maintained by federal and state securities laws. After that time, information is destroyed.

HCM will notify its clients if its privacy policy changes.