

Item 1 Cover Page



HENDLEY & COMPANY, INC.

822 ADAIR AVENUE, ZANESVILLE, OH 43701

740-452-4523

Website: <https://www.hendleyco.com>

January 26, 2021

Brochure, please contact us at mikesnode@hendleyco.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Item 2 Material Changes

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge. Hendley & Company, Inc.'s last annual amendment was filed on June 15, 2020.

Currently, our Brochure may be requested, free of charge, by contacting Mary Hildebrand, Vice President at 740-452-4523 or maryhildebrand@hendleyco.com. Our Brochure is also available on our web site: <https://www.hendleyco.com>, free of charge.

Additional information about Hendley & Company, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Hendley & Company, Inc. who are registered, or are required to be registered, as investment adviser representatives of Hendley & Company, Inc.

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Item 4 Advisory Business

In 1977 Hendley & Company, Inc. was incorporated in the State of Ohio and registered with the SEC as an Investment Adviser by Albert H. Hendley, Jr, past President, and was succeeded by Susan B. Hendley, who was President until June 26, 2019, at which time Reneé Melick Smith became the President and sole owner. Hendley & Company, Inc. designs and continuously manages portfolios for clients based on each client's individual needs. To do this we interview our clients to determine each client's risk tolerance and investment needs and to determine if the clients want to place any reasonable restrictions on the portfolio. Once we have individually designed the portfolio we will manage the account on a discretionary basis. We design portfolios to include individual equity, fixed income securities and mutual fund securities.

As of March 31, 2020 Hendley & Company manages, on a discretionary basis, \$283,638,287 and \$3,308,553 on a non-discretionary basis.

Hendley & Company Inc. does not pool clients' assets.

Item 5 Fees and Compensation

As of June 1, 2018 new clients will be charged for services provided by Hendley & Company, Inc. based on the following schedule.

<u>Annual Rate</u>	<u>Assets Under Management</u>
1.00%	First \$500,000
0.90%	Next \$500,000 to \$1,500,000
0.75%	Next \$1,500,000 to \$5,000,000
0.50%	Balances over \$5,000,000

Money that is swept or transferred into money market mutual funds is subject to an advisory fee, plus the money market mutual funds' management fee and operating fees. Under no circumstances do we receive compensation from any investment companies. Fees are computed and billed at one-fourth of the annual rate quarterly, at the end of each calendar quarter. In certain circumstances we may negotiate fees and account minimums. Hendley & Company, Inc., at its discretion, may consider total family/entity relationship when negotiating fees, but is not obligated to do so. Some clients pay amounts other than the above, pursuant to fee schedules in place at the time the clients entered into advisory agreements with us. Further, fees for some clients have been waived or reduced as a result

of the relationship with the firm, including employees and family members. No prepayment of fees is accepted. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Clients may elect to be billed directly for fees or to authorize Hendley & Company, Inc. to directly debit fees from client accounts.

Hendley & Company, Inc.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees and costs.

Item 6 Performance-Based Fees

Hendley & Company, Inc. does not charge any performance-based fees, including any fees which are based on a share of capital gains on, or capital appreciation of, the assets of a client.

Item 7 Types of Clients

Hendley & Company, Inc. provides portfolio management services to individuals, high net worth individuals, corporate pension and profit –sharing plans, corporations, charitable institutions, foundations and trusts. We, at our sole discretion, may accept clients with portfolios under \$100,000 based upon certain factors including: (a) anticipated future earning capacity (b) anticipated future additional assets (c) account composition (d) related accounts (e) pre-existing client relationship.

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

Our investment portfolios may contain a measured mix of common and preferred stocks, corporate, government or municipal bonds; no-load mutual funds or exchange traded funds; money markets and/or bank deposit accounts. The daily price of these securities can be expected to fluctuate due to changes in the overall economy, government monetary policy, political events, acts of war or terrorism, as well as a change in a specific company's

underlying business and investors' overall sense of optimism or fear. Investing in these types of securities involves a risk of principal loss, which clients should be prepared to bear. Past returns are no guarantee of future results. Each individual should consider his or her own risk tolerance, time horizon and investment objectives.

Hendley & Company, Inc.'s security analysis methods include a judgment of value based on fundamental measures such as a company's revenue growth, overall profitability in various economic cycles, cash flow growth and deployment, flexibility of its balance sheet, market position for its products and long-term liabilities. This review is accompanied by a judgment regarding the long-term investment attraction of the company's share in the case of common stock and the yield and maturity of fixed income securities. Judgments made on relative investment attractiveness of securities may or may not result in profitable investment results and overall economic changes or company specific factors may cause a market value loss in investments, despite an effort to diversify holdings.

Main sources of information include company filings of annual and quarterly reports and press releases; financial periodicals, websites, and research materials prepared by others, including corporate ratings firms. Investments are continuously reviewed with information from various outside sources, including, but not limited to: Gimme Credit, Birinyi Associates, Grant's, Telemet, Morningstar/Ibbotson Associates, and Factset Research. When applicable, clients may be notified of significant news developments.

Investment strategies used to implement any investment advice given include long-term purchases of securities held at least one year and short-term purchases of securities sold within one year. We generally do not engage in frequent trading of securities, but a change in outside conditions or timing of a client situation, including unsolicited requests for funds, may result in this. This could result in increased transaction costs and/or higher taxes as a result of short-term realized gains. This could also result in actual or opportunity losses.

The material risk of investing in a fixed income security such as a bond includes, but is not limited to, the risk of credit default by the issuer which may result in a suspension of interest payments and a return of principal less than the face value of the bond. Investing in bonds also features exposure to changes in interest rates or credit ratings which may result in a decline in market price. Liquidity of the bond may affect trading values.

The material risk of investing in common stocks is that principal loss will occur over varying spans of time and the investment may or may not protect buying power or compare favorably to other benchmarks. Complete loss of principal in any one investment is possible should a company fail to maintain balance sheet flexibility with its creditors or should its primary revenue sources become obsolete.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' or prospective clients' evaluation of Hendley & Company, Inc. or the integrity of our management. Hendley & Company, Inc. has no information applicable to this item.

Item 10 Other Financial Industry Activities and Affiliations

Hendley & Company, Inc. is not actively engaged in a business other than giving investment advice.

Item 11 Code of Ethics

Hendley & Company, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading procedures, among other things. All supervised persons at Hendley & Company, Inc. must acknowledge and comply with the terms of the Code of Ethics.

All information and advice furnished by either party relating to their account shall be treated as confidential and shall not be disclosed to any third party except as may be required by law, in other legally limited circumstances (i.e. to prevent fraud) or as may be expressly permitted by the client.

Hendley & Company, Inc. does not act as a principal for its own account and does not make markets in any securities.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Hendley & Company, Inc. will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions, and endeavors to put the interests of clients ahead of those of employees and the firm.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might indirectly benefit from market activity by a client in a security. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Hendley & Company, Inc. and its clients.

Hendley & Company, Inc. clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Michael A. Snode, Chief Compliance Officer, 822 Adair Avenue, Zanesville, OH 43701. Phone: 740-452-4523

Item 12 Brokerage Practices

Our clients may impose investment restrictions or other limitations on the discretionary authority of Hendley & Company, Inc. in accordance with the investment management agreement. These limitations may involve asset allocations, restrictions on the purchase or sale of particular securities or class of securities, or other account requirements, such as directing that transactions be executed by specific broker-dealers.

In selecting brokers and dealers, Hendley & Company, Inc. will consider the full range and quality of a broker's or dealer's services. Commission rates are one factor considered together with other factors including: the broker's or dealer's facilities; the broker's or dealer's reliability and financial responsibility; when relevant, the ability of the broker or dealer to effect particular securities transactions, particularly with regard to such aspects as timing, order size and execution of orders; and the research and other services provided by that broker or dealer to Hendley & Company, Inc. The research and other services provided by brokers enhance our portfolio management capabilities, whether or not a particular client may be the direct or exclusive beneficiary of those services.

While we generally seek the best price in placing orders, a client may not necessarily be paying the lowest price available. We shall not be obligated to seek in advance competitive bidding for the most favorable commission rate applicable to any particular transactions or to select any broker-dealer on the basis of its "posted" commission rate.

Hendley & Company, Inc. may cause a client to pay a commission for effecting a transaction for the client in excess of the amount another broker/dealer would charge for effecting that transaction. This may be done when we have determined in good faith that the commission is reasonable in relation to the value of the brokerage and/or research services provided by the broker to Hendley & Company, Inc.

Hendley & Company, Inc. does not allocate the costs or benefits of research among its clients, because the research received may assist us in fulfilling our responsibilities to all of our clients. Where permitted by law, the research may be used to service our accounts without regard to where such accounts are held, or where trades are executed. We receive a variety of research services and information on many topics, including economic factors and market trends, statistical information on individual companies including consensus estimates, credit analysis, pricing, and other information that may affect investment strategy. Research services include written reports, pricing services, educational seminars, subscriptions, and software-based products.

Hendley & Company, Inc. also participates in the institutional adviser program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member of FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. Hendley & Company receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Hendley & Company, Inc. participates in TD Ameritrade's institutional customer program and may recommend or select TD Ameritrade to clients for custody and brokerage services. There is no direct link between Hendley & Company, Inc.'s participation in the program and the investment advice it gives to its clients, although Hendley & Company, Inc. receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Hendley & Company, Inc. clients access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Hendley & Company, Inc. by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Hendley & Company, Inc.'s related persons. Some of the products and services made available to TD Ameritrade through the program may benefit Hendley & Company, Inc. but may not benefit its client accounts. These products or services may assist Hendley & Company, Inc. in managing and administering client accounts, including accounts not maintained by TD Ameritrade. Other services made available by TD Ameritrade are intended to help Hendley & Company, Inc. manage and further develop its business enterprise. The benefits received by Hendley & Company, Inc. or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Hendley & Company, Inc. endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Hendley & Company or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Hendley & Company, Inc.'s choice of TD Ameritrade for custody and brokerage services.

Hendley & Company, Inc. endeavors to negotiate brokerage commissions which are reasonable and fair. Commission rates and the extent to which commissions are negotiable may vary from client to client. If a client wishes to direct us to use a particular broker-dealer/custodian to effect the transactions on behalf of their account, the client shall instruct us in writing, and provide us with the name, address, telephone number and registered representative of the authorized broker-dealer.

For client accounts which direct Hendley & Company, Inc. to execute all or a portion of account transactions through one or more particular broker/dealer(s) or an individual broker, specific commission rates for such accounts are generally determined by the client and broker/dealer. If directed by the client to use a particular broker-dealer/custodian, (1) Hendley & Company, Inc. will not seek to negotiate the commission rates charged by such broker-dealer, (2) the client could pay higher transaction costs, including commissions, than the client would otherwise had they not designated a particular broker-dealer, and (3) the client may be unable to obtain a more favorable price as a result of transaction volume since the directed transactions may not be included in any aggregating of other client orders. For these reasons, if the client directs Hendley & Company, Inc. to use a particular broker-dealer, this may result in the client receiving a less than favorable execution. Investment decisions for each account are made independently by Hendley & Company, Inc. and we believe that the purchase or sale of the same security is in the best interest of more than one client, we may, but are not obligated to, aggregate the securities to be sold or purchased to obtain favorable execution or lower brokerage commissions, to the extent permitted by applicable laws and regulations. These orders may be averaged as to price and allocated as to amount according to each account's daily purchase or sale orders or some other equitable basis.

Although Hendley & Company, Inc. may believe that it is desirable and suitable that a particular security or other investment be purchased or sold for the account of more than one of our clients, there may be instances when there is a limited supply or demand for a particular security or investment. In these instances our preferred allocation method is pro-rata based on the client allocation determined prior to execution. While we seek to assure fair and equitable treatment, there can be no assurance of equality of treatment among all clients or that any investment will be proportionally allocated among clients according to any particular or predetermined standards or criteria.

Other methods may be used if it is determined that utilizing a pro-rata allocation would not be in the best interest of the client, in which case the rationale for doing so will be documented. In some instances the procedures described above may limit the size of the position or adversely affect the price paid or received by the client.

As a matter of policy and procedure, Hendley & Company, Inc. does not engage in agency cross or principal trades.

Item 13 Review of Accounts

Securities held in individual advisory accounts are reviewed on an ongoing basis by Reneé Melick Smith, President/portfolio manager and/or Michael A. Snode, VP Operations and Chief Compliance Officer. Each review is aided by computerized research systems,

which provide notice of significant price movements in securities held and indicate events behind the price movement.

Clients are provided with a quarterly written report which contains a summary of account transactions and holdings. Clients may access account reports at www.hendleyco.com. Upon client request, clients will receive personal reviews with Reneé Melick Smith, and/or Michael A. Snode, during which recommendations by Hendley & Company, Inc. are evaluated. Although we do not provide tax advice and encourage clients to consult tax professionals, annually we provide each client with applicable tax information concerning their particular advisory accounts.

Item 14 Client Referrals and Other Compensation

Hendley & Company, Inc. does not receive cash, sales awards or similar economic benefits (including commissions or non-research services) from non-clients in exchange for providing investment management services to its clients.

Employees of Hendley & Company, Inc. are eligible to receive additional compensation from Hendley & Company, Inc. for referring new clients to the firm. Prior to engaging in solicitation or referral activities, Hendley & Company, Inc. and the eligible employee will enter into a written solicitation agreement. Although the firm compensates these employees for referring clients to the firm, all such compensation is borne by the firm; under no circumstances will a client pay additional fees as a result.

Item 15 Custody

Hendley & Company, Inc. does not maintain physical custody of client assets; all client assets are held at qualified custodians such as TD Ameritrade. We are deemed to have custody because many clients grant us the authority to deduct advisory fees directly from the clients' custodial accounts and some clients authorize us to effect third-party transfers on their behalf via standing letters of authorization. Clients should receive quarterly, or more frequent, statements from the broker/dealer, bank or other qualified custodian that holds and maintains the client's investment assets. Hendley & Company, Inc. urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide. We ask clients to contact us and/or the custodian if they are not receiving statements from their custodians. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 Investment Discretion

Hendley & Company, Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts Hendley & Company, Inc. observes the investment policies, limitations and restrictions of the clients we advise.

Item 17 Voting Client Securities

Hendley & Company, Inc. is not responsible for voting proxies that pertain to assets of client accounts. Upon written request from the client we shall make available information to assist the client in voting proxies and making other elections that may affect securities in the account. The client will instruct the custodian, as the record owner, to complete and file any class action notices or proofs of claims, or the client will complete and file the documentation itself. Hendley & Company, Inc. will not be responsible for the administrative filings.

Those clients seeking information from Hendley & Company, Inc. for the purpose of filing class actions or proofs of claim may request such information by sending a written request to Michael A. Snode at 822 Adair Avenue, P.O. Box 3308 Zanesville, OH 43702-3308, or by email at mikesnode@hendleyco.com.

Item 18 Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Hendley & Company, Inc.'s financial conditions. Hendley & Company, Inc. has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

ADV 2B Brochure Supplement

Disciplinary Information

Supervised persons of the firm have no legal or disciplinary event(s) to disclose.

Other Business Activities

Supervised persons of the firm have no outside business activities to disclose with the exception of limited participation in an LLC through which the firm's office is owned and managed.

Additional Compensation

Employees of the firm may receive compensation, bonuses or other incentives from the firm for client referrals. Clients do not pay increased advisory fees as a result of this compensation.

All portfolio managers joining the firm since January 1, 1984 are required to successfully complete the Chartered Financial Analyst program.

Reneé Melick Smith, 1958

Hendley & Company, Inc. President & Portfolio Manager

Joined the firm in 1984

Contact information: Hendley & Company, Inc. 822 Adair Avenue, P.O. Box 3308
Zanesville, OH 43702-3308. Ph. 740-452-4523; email: reneesmith@hendleyco.com

Miami University Bachelor of Arts & Political Science -1979

Ohio State University, Master of Business Administration, 1986

*Chartered Financial Analyst, 1986

Mrs. Smith makes the primary investment decisions for the firm's clients based on client objectives. She also works with Michael A. Snode in his client contact activities.

Mrs. Smith receives additional compensation, bonuses or other incentives from the firm for client referrals. Clients do not pay increased advisory fees as a result of this compensation.

Mary Hildebrand, 1962

Ohio University-Zanesville, Bachelor of Business Administration, 2003

Hendley & Company, Inc. Vice President-Audit

Joined the firm in 1990

Contact information: Hendley & Company, Inc. 822 Adair Avenue, P.O. Box 3308 Zanesville, OH 43702-3308 Ph. 740-452-4523; email: maryhildebrand@hendleyco.com

Activities:

Mary Hildebrand, V.P. Audit, is involved in general account and system audit activities and account reconciliation. Ms. Hildebrand prepares client invoices for management services; calculates account and composite performance; reviews broker tax reporting and generally reviews the client reporting system in addition to assisting with various compliance functions.

Michael Allen Snode, 1976

**Ohio University-Bachelor of Business Administration 1998, Summa cum Laude
Hendley & Company, Inc. Account Representative, Vice President/Operations and
Chief Compliance Officer Joined the firm in 2006**

Contact information: Hendley & Company, 822 Adair Avenue, P.O. Box 3308, Zanesville OH 43702-3308. Ph. 740-452-4523; email: mikesnode@hendleyco.com

Activities:

Michael A. Snode, V.P. Operations and Chief Compliance Officer, is responsible for the firm's compliance program as well as organization of the firm's operational activities including account reconciliation with brokerage firms, trading activity, web access, technology functions. As an Account Representative, Mr. Snode may meet with clients and respond to general inquiries about their accounts. In this capacity, he is supervised by René M. Smith.

In his capacity as Chief Compliance Officer, Mr. Snode prepares the Form ADV and conducts compliance functions for the firm. He also supervises these activities for the following individuals:

René M. Smith, President and Portfolio Manager, in terms of investment Universe List, client correspondence, and adherence to general compliance requirements.

Mary Hildebrand, V.P. Audit, is involved in general account and system audit activities and account reconciliation. Ms. Hildebrand prepares client invoices for management services; calculates account and composite performance; reviews broker tax reporting and generally reviews the client reporting system in addition to assisting with various compliance functions.

Mr. Snode receives additional compensation, bonuses or other incentives from the firm for client referrals. Clients do not pay increased advisory fees as a result of this compensation.

***CFA Institute Disclosure**

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute – the largest global association of investment professionals.

To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2: have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. Additional information about the CFA Institute can be found at www.cfainstitute.org.