



# Hatton Consulting, Inc.

SEC File Number: 801 – 60580

## **ADV Part 2A, Firm Brochure Dated: March 28, 2021**

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This Brochure provides information about the qualifications and business practices of Hatton Consulting, Inc. (“Hatton Consulting”). If you have any questions about the contents of this Brochure, please contact us at (602) 852-5520 or [sperow@hattonconsulting.com](mailto:sperow@hattonconsulting.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.

Additional information about Hatton Consulting, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Hatton Consulting, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2            Material Changes**

Since our last annual update on March 24, 2020, there have been no material changes to the business.

- Hatton Consulting, Inc. ownership structure has changed. Timothy M. Hatton, James J. Hatton, Shawna C. Perow, and Tigran Unciano all now have an ownership percentage in Hatton Consulting, Inc.
- Hatton no longer provides advice regarding private investment funds.

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 end which is December 31<sup>st</sup>. We will provide other ongoing disclosure information about material changes as they occur. We will also provide you with information on how to obtain the complete brochure

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## Item 4      **Advisory Business**

- A. Hatton Consulting is an Arizona corporation formed on May 15, 2001. Hatton Consulting became registered as an Investment Adviser Firm in September 2001. Hatton Consulting is owned by Timothy M. Hatton, James J. Hatton, Shawna C. Perow, and Tigran Unciano.
- B. As discussed below, Hatton Consulting offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Hatton Consulting to provide discretionary or non-discretionary investment advisory services on a *fee-only* basis. Hatton Consulting's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Hatton Consulting's management. As part of the asset management process, one of Hatton Consulting's investment adviser representatives will meet with the client to discuss their financial circumstances, investment goals and objectives, and to determine your risk tolerance. Clients will be asked to provide statements summarizing current investments, income and other earnings, recent tax returns, retirement plan information, other assets and liabilities, wills and trusts, insurance policies, and other pertinent information. The investment adviser representative will ascertain each client's investment objectives. Hatton Consulting will then allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, Hatton Consulting will provide ongoing monitoring and review of account performance and asset allocation as compared to the client investment objectives.

Clients shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct Hatton Consulting not to purchase certain mutual funds, stocks or other securities. These restrictions may be a specific company security, industry sector, asset class, or any other restriction requested.

Clients will be notified of any purchases or sales through trade confirmations and statements that are provided by the custodian. These statements list the total value of the account, itemize all transaction activity, and list the types, amounts, and total value of securities held. Clients will at all times maintain full and complete ownership rights to all assets held in their account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Hatton Consulting may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Hatton Consulting's planning and consulting fees are negotiable, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Hatton Consulting to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Hatton Consulting setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Hatton Consulting commencing services.

It is essential that clients provide the information and documentation requested regarding

income, investments, taxes, insurance, estate plan, etc. Hatton Consulting does not verify any information obtained from the client, their attorney, accountant or other professionals.

Hatton Consulting obtains information from a wide variety of publicly available sources. Hatton Consulting does not have any inside private information about any investments that are recommended. All recommendations developed by Hatton Consulting are based upon our professional judgment. Hatton Consulting cannot guarantee the results of any recommendations. Choosing which advice to follow is the client's decision.

If requested by the client, Hatton Consulting may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Hatton Consulting. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Hatton Consulting if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Hatton Consulting's previous recommendations and/or services.

### **Retirement Plan Services**

Both parties acknowledge that if the Account is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), the following provisions will apply:

- The Adviser acknowledges that it is a "fiduciary" with respect to the Client as that term is defined under Section 3(21)(A) of ERISA.
- The person signing this Agreement on behalf of the Client acknowledges its status as a "named fiduciary" with respect to the control and management of the assets held in the Account, and agrees to notify the Adviser promptly of any change in the identity of the named fiduciary with respect to the Account;

When delivering ERISA fiduciary services, we will perform those services for the retirement plan as a fiduciary under ERISA Section 3(21)(A)(ii) will act in good faith and with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. In our capacity as a 3(21) plan fiduciary, we will conduct research to determine appropriate investment selections and allocations.

Hatton Consulting's service begins with an analysis of the current retirement plan investments, managed investment models, and fees. The analysis is designed to determine if we are able to add value to the plan. We will offer you one or more of the following services:

- Plan design and asset selection consultation
- Development of investment menu
- Review plan sponsor's stated financial criteria for each investment option
- Monitor each investment
- Investment option replacement guidance
- Personal consultations with the plan sponsor as necessary

- Participant education, guidance, and enrollment

### **Investment Selection, Monitoring, and Replacement**

We will conduct research to determine allocations and to project potential ranges of returns and market values over various time periods and using various cash flows. As the financial advisor to the Plan, we will assist in selecting the managed investment line up including evaluating investment managers and mutual fund companies, individual mutual funds, and money market funds which may be retained or replaced.

The data used to select the investment options is based on estimated, forward-looking performance of various asset classes and subclasses to create forward looking capital markets assumptions (e.g., expected return, expected standard deviation, correlation, etc.). Past performance and the return estimates of the asset classes and the indices that correspond to these asset classes may not be representative of actual future performance. Actual results could differ, based on various factors including the expenses associated with the management of the portfolio, the portfolio's securities versus the securities comprising the various indices and general market conditions. Before a specific investment is selected, other factors such as economic trends, which may influence the choice of investments and risk tolerance, should be considered. We have the responsibility and authority to recommend the investment line up including evaluating investment managers and mutual fund companies, individual mutual funds, and money market funds which may be retained or replaced. The plan sponsor has the responsibility and authority to make the final decision regarding what investments to include in the model portfolio and when to add or exclude a specific security.

It is client's responsibility to select the final mix and to determine whether to implement any strategy. We also encourage the Client to consult with other professional advisors since Hatton Consulting does not provide tax or legal advice that may affect asset classes or allocations used in the modeling. We will apply guidelines you supply, as directed; however, compliance with these restrictions or guidelines is client's responsibility.

If you decide to implement any of the firm's recommendations, we will help you open a custodial account(s) for the plan. The funds in this account will be held in a separate account, in the plan's name, at an independent custodian, not with us. We use Charles Schwab as our custodian. The identity of your custodian will be communicated to you before the account is opened. The custodian will effect transactions, deliver securities, make payments, etc. You will at all times maintain full and complete ownership rights to all assets held in the account for the benefit of the plan participants.

### **Participant Meetings**

We will conduct plan participant meetings when a change is made either to the structure of the plan or if the investment lineup changes. We will detail the changes being made, how it affects the current participants, review the current investment opportunities, how participants may make changes to their investment selections, and will answer any and all questions a participant may have. We will review with the participants how to select the investments.

Except as otherwise provided under ERISA the Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Client in connection with the matters to which this Agreement relates except a loss resulting from the Adviser's breach of its fiduciary duty, negligence, misconduct or bad faith.

The Adviser is not (i) the “administrator” of the Plan as defined in § 3(16)(A) of ERISA or (ii) the “plan administrator” of the Plan as defined in Section 414(g) of the Internal Revenue Code of 1986, as amended (the “Code”);

The Client acknowledges that these services are consultative, and give no investment authority (“discretion”) or responsibility to the Adviser over any assets of the Plan or Participant regardless of how and where the assets are held.

Hatton Consulting does not act as a discretionary investment manager of any Sponsored Plans as defined in Section 3(38) of the Employee Retirement Income Security Act of 1974.

## **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Hatton Consulting *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Hatton Consulting, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of Hatton Consulting’s services should be construed as same. To the extent requested by a client, Hatton Consulting may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Hatton Consulting. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client’s responsibility to promptly notify Hatton Consulting if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Hatton Consulting’s previous recommendations and/or services.

**Use of Mutual Funds.** Many mutual funds are available directly to the public. Thus, a client or prospective client can obtain some of the mutual funds that may be recommended and/or utilized by Hatton Consulting independent of engaging Hatton Consulting as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive the benefit of Hatton Consulting’s initial and ongoing investment advisory services.

**Dimensional Fund Advisors.** Hatton Consulting may purchase mutual funds sponsored by Dimensional Fund Advisors (“DFA”) for client accounts. DFA funds are available exclusively through registered investment advisors, such as Hatton Consulting. Accordingly, upon termination of the *Investment Advisory Agreement*, DFA funds will be subject to sale unless they are transferred to another registered investment advisor who has access to DFA funds.

**Sub-Advisory Arrangements.** Hatton Consulting may engage sub-advisors for the purpose of assisting Hatton Consulting with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by Hatton Consulting. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by Hatton Consulting. Hatton Consulting shall

pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Hatton Consulting's Chief Compliance Officer, Shawna Perow, remains available to address any questions concerning Hatton Consulting's sub-advisory arrangements.

**Retirement Plan Rollovers-No Obligation/Conflict of Interest:** A client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in his/her former employer's plan, if permitted, (ii) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, (iii) rollover to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Hatton Consulting may recommend an investor roll over plan assets to an IRA managed by Hatton Consulting. As a result, Hatton Consulting and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to Hatton Consulting (unless clients engage Hatton Consulting to monitor and/or manage the account while maintained at his/her employer). Hatton Consulting has an economic incentive to encourage an investor to roll plan assets into an IRA that Hatton Consulting will manage **or** to engage Hatton Consulting to monitor and/or manage the account while maintained at the client's employer. There are various factors that Hatton Consulting may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus Hatton Consulting's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any.

**No client is under any obligation to rollover plan assets to an IRA managed by Hatton Consulting or to engage Hatton Consulting to monitor and/or manage the account maintained at the client's employer.** Hatton Consulting's Chief Compliance Officer, Shawna Perow, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

**Client Obligations.** In performing its services, Hatton Consulting shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Hatton Consulting if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Hatton Consulting's previous recommendations and/or services.

**Disclosure Statement.** A copy of Hatton Consulting's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. Hatton Consulting shall provide investment advisory services specific to the needs of each client.



- D. Hatton Consulting does not participate in a wrap fee program.
- E. As of December 31, 2020, Hatton Consulting had approximately \$428,189,476 in assets under management on a discretionary basis and \$12,245,391 million on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage Hatton Consulting to provide investment advisory services on a *fee-only* basis.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage Hatton Consulting to provide investment advisory services on a *fee-only* basis, Hatton Consulting's negotiable annual tiered investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Hatton Consulting's management (generally between 0.10% and 1.00%). The Adviser will not pro rate for deposits and withdrawals in the account during the billing period. Fees will be calculated as follows:

#### PORTFOLIO MANAGEMENT SERVICES:

Annual Management Fees tiered schedule for Account Monitoring & Reporting:

First \$1,000,000	1 % of portfolio assets payable quarterly in advance
from \$1,000,001 to \$2,000,000	0.6 % of portfolio assets payable quarterly in advance
from \$2,000,001 to \$5,000,000	0.4 % of portfolio assets payable quarterly in advance
from \$5,000,001 to \$20,000,000	0.25 % of portfolio assets payable quarterly in advance
from \$20,000,001 & above	0.10% of portfolio assets payable quarterly in advance

In the event that there are insufficient funds to cover quarterly fee, securities may be sold to cover.

Templeton Financial Services .20%, if applicable.

No increase in the annual fee shall be effective without prior written notification. Hatton Consulting believes the advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

- A. To the extent specifically requested by a client, Hatton Consulting *may* determine to provide financial planning and/or consulting services (including investment and non- investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Hatton Consulting's planning and consulting fees are negotiable, but generally range from \$3,000 to \$10,000 on a fixed fee basis, and from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).
- B. Clients may elect to have Hatton Consulting's advisory fees deducted from their custodial account. Both Hatton Consulting's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Hatton Consulting's investment advisory fee and to directly remit that management fee to Hatton Consulting in compliance with regulatory procedures. In the limited event that Hatton Consulting bills the client directly, payment is due upon receipt of Hatton Consulting's invoice. Hatton Consulting shall deduct fees and/or bill clients quarterly in advance and/or

arrears, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Hatton Consulting shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Hatton Consulting's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Hatton Consulting's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Hatton Consulting does not generally require an annual minimum fee or minimum asset level for investment advisory services. Hatton Consulting, in its sole discretion, may negotiate its investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Hatton Consulting and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Hatton Consulting shall refund the prorated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter, if applicable.

- E. Neither Hatton Consulting, nor its representatives accept compensation from the sale of securities or other investment products.

#### **Fees to Sponsored Plans (ERISA)**

The standard fee schedules for the Non-Discretionary 3(21) Fiduciary Services program (the "Program") are as follows:

##### **PORTFOLIO MANAGEMENT SERVICES:**

Annual Management Fees tiered schedule for Account Monitoring & Reporting:

First \$1,000,000	1 % of portfolio assets payable quarterly in advance
from \$1,000,001 to \$2,000,000	0.6 % of portfolio assets payable quarterly in advance
from \$2,000,001 to \$5,000,000	0.4 % of portfolio assets payable quarterly in advance
from \$5,000,001 to \$20,000,000	0.25 % of portfolio assets payable quarterly in advance
from \$20,000,001 & above	0.10% of portfolio assets payable quarterly in advance

In the event that there are insufficient funds to cover quarterly fee, securities may be sold to cover.

Templeton Financial Services .20%, if applicable.

You may also incur fees related to your use of outside service providers including third-party

administrators and record keepers. The fee schedule for each outside service provider varies dramatically from service provider to service provider. The service provider's fees will also vary from plan to plan as each plan's structure and characteristics are different from the next.

We believe our services help plan sponsors and plan fiduciaries meet their fiduciary duty to the plan and its participants. As a part of our services, we review the fees of service providers and the transparency of their fees. We will assist the plan sponsors with a review of service providers including the third-party administrator, daily record keeper, and custodian to ensure that their services, along with ours, remain competitive to alternatives that are available.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither Hatton Consulting nor any supervised person of Hatton Consulting accepts performance-based fees. Hatton Consulting does not provide side by side management.

## **Item 7            Types of Clients**

Hatton Consulting's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. Hatton Consulting does not generally require an annual minimum fee or minimum asset level for investment advisory services.

Hatton Consulting, in its sole discretion, may negotiate its investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. Hatton Consulting may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

Hatton Consulting may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Hatton Consulting) will be profitable or equal any specific performance level(s).

- B. Hatton Consulting's methods of analysis has its own inherent risks. To perform an accurate market analysis Hatton Consulting must have access to current/new market information. Hatton Consulting has no control over the dissemination rate of market information; therefore, unbeknownst to Hatton Consulting, certain analyses may be compiled with outdated market information, severely limiting the value of Hatton Consulting's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Hatton Consulting's primary investment strategies - Long Term Purchases and Short-Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

- C. Currently, Hatton Consulting primarily allocates investment management assets among various mutual funds and fixed income securities, on a discretionary basis, in accordance with the client's designated investment objective(s).

#### **Item 9            Disciplinary Information**

Hatton Consulting has not been the subject of any disciplinary actions.

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

- A. Neither Hatton Consulting, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Hatton Consulting, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Hatton Consulting has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Hatton Consulting does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Hatton Consulting maintains an investment policy relative to personal securities transactions.

This investment policy is part of Hatton Consulting's overall Code of Ethics, which serves to establish a standard of business conduct for all of Hatton Consulting's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Hatton Consulting also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Hatton Consulting or any person associated with Hatton Consulting.

- B. Neither Hatton Consulting nor any related person of Hatton Consulting recommends, buys, or sells for client accounts, securities in which Hatton Consulting or any related person of Hatton Consulting has a material financial interest.
- C. Hatton Consulting and/or representatives of Hatton Consulting *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Hatton Consulting and/or representatives of Hatton Consulting are in a position to materially benefit from the sale or purchase of those securities. However, Hatton representatives are not allowed to trade ahead of a client. In addition, this requirement can help detect insider trading, and other potentially abusive practices.

Hatton Consulting has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Hatton Consulting's "Access Persons". Hatton Consulting's securities transaction policy requires that an Access Person of Hatton Consulting must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Hatton Consulting selects; provided, however that at any time that Hatton Consulting has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Hatton Consulting and/or representatives of Hatton Consulting *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Hatton Consulting and/or representatives of Hatton Consulting are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Hatton Consulting has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Hatton Consulting's Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Hatton Consulting recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Hatton Consulting to use a specific broker-dealer/custodian), Hatton Consulting generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Hatton Consulting to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Hatton Consulting setting forth the terms and conditions under which Hatton Consulting shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Hatton Consulting considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Hatton Consulting, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Hatton Consulting's clients shall comply with Hatton Consulting's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Hatton Consulting determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Hatton Consulting will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Hatton Consulting's investment management fee. Hatton Consulting's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Hatton Consulting may receive from *Schwab* (or another broker-dealer/custodian, investment platform, independent investment manager, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Hatton Consulting to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Hatton Consulting may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Hatton Consulting in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Hatton Consulting in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Hatton Consulting to manage and further develop its business enterprise.

Hatton Consulting's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Hatton Consulting to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Hatton Consulting's Chief Compliance Officer, Shawna Perow, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Hatton Consulting does not receive referrals from broker-dealers.
3. Hatton Consulting does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In

such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Hatton Consulting will not seek better execution services or prices from other broker-dealers or be able to “batch” the client's transactions for execution through other broker-dealers with orders for other accounts managed by Hatton Consulting. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Higher transaction costs adversely impact account performance.

**Please Note:** In the event that the client directs Hatton Consulting to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Hatton Consulting.

**Hatton Consulting’s Chief Compliance Officer, Shawna Perow, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Hatton Consulting provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Hatton Consulting decides to purchase or sell the same securities for several clients at approximately the same time. Hatton Consulting may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Hatton Consulting’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Hatton Consulting shall not receive any additional compensation or remuneration as a result of such aggregation.

- C. ERISA [3(21) and/or 3(38) if applicable]

As it relates to ERISA Plan business, the Adviser’s model does not involve transactional business and, consequently, the Adviser does not currently engage brokers in any transactional capacity.

## **Item 13      Review of Accounts**

- A. For those clients to whom Hatton Consulting provides investment supervisory services, account reviews are conducted on an ongoing basis by Hatton Consulting's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Hatton Consulting of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Hatton Consulting on an annual basis.
- B. Hatton Consulting *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and

regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Hatton Consulting may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Hatton Consulting may receive an indirect economic benefit from *Schwab*. Hatton Consulting, without cost (and/or at a discount), may receive support services and/or products from *Schwab*.

Hatton Consulting's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by Hatton Consulting to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Hatton Consulting's Chief Compliance Officer, Shawna Perow, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. We do not receive any economic benefit from someone who is not a client for providing investment advice or other advisory services to our clients nor do we directly or indirectly pay any compensation to another person if they refer clients to us.



## **Item 15      Custody**

Hatton Consulting shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Hatton Consulting may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Hatton Consulting provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Hatton Consulting with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Hatton Consulting's advisory fee calculation.

### **Qualified Retirement Plan Custody**

We do not have actual or constructive custody of any client's account. We do not have the ability to deduct fees directly from the plan accounts.

### **ERISA 3(21)**

If authorized by the Plan Sponsor, the Adviser has the ability to debit fees directly from the Plan Sponsor's bank account through the submission of a billing file to the plan custodian, however, the Adviser does not have authority to possess or take actual custody of clients' funds or securities. Plan Sponsors and plan participants should receive at least quarterly statements from the recordkeeper and Plan Sponsors and participants should carefully review such statements.

### **Standing Letter of Authorization**

Hatton Consulting is deemed to have custody of client funds or securities as a result of maintaining standing letters of authorization (SLOA) for the purpose of distributing funds from a client's account. For those accounts in which we have the ability to initiate distributions from a client's account, via journal, ACH or wire to a third party, which is an account held in the name of someone other than the client, we will ensure the following conditions have been met in order for us to be in compliance with SEC and State Custody Rules and ensure the safe keeping of our client's funds:

1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained

in the client's instruction.

6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16 Investment Discretion**

The client can determine to engage Hatton Consulting to provide investment advisory services on a discretionary basis. Prior to Hatton Consulting assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Hatton Consulting as the client's attorney and agent in fact, granting Hatton Consulting full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Hatton Consulting on a discretionary basis may, at anytime, impose restrictions, in writing, on Hatton Consulting's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Hatton Consulting's use of margin, etc.).

Clients may also elect to engage Hatton Consulting on a non-discretionary basis.

### **ERISA 3(21)**

As further described in Item 4 above, under 3(21) Fiduciary Services, Hatton Consulting provides non-discretionary services in that it makes investment recommendations to Plan Sponsors. The plan sponsor retains the decision-making authority over the plan. When recommending securities, we observe the investment policies, limitations, and restriction set by the plan and plan sponsor.

## **Item 17 Voting Client Securities**

- A. Hatton Consulting does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Hatton Consulting to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. Hatton Consulting does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Hatton Consulting is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its advisory authority over certain client accounts.
- C. Hatton Consulting has not been the subject of a bankruptcy petition.

**Hatton Consulting's Chief Compliance Officer, Shawna Perow, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**