

Item 1 – Cover Page

## HAMRICK INVESTMENT COUNSEL, L.L.C.

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March 24, 2023

This firm brochure (“brochure”) provides information about the qualifications and business practices of Hamrick Investment Counsel, L.L.C. (“HIC”). If you have any questions about the contents of this brochure, please contact us at telephone number above. 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 HIC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for HIC is 116314.

Please note that the use of the term “registered investment advisor” and description of our firm and/or our associates as “registered” does not imply a certain level of skill or training. Clients are encouraged to review this brochure and any brochure supplements (“brochure supplements”) for more information on the qualifications of our firm and our associates.

**Item 2 – Material Changes**

This version of our brochure replaces the previously filed version dated March 25, 2022. This brochure has been amended at Item 4 with respect to the amount of client assets under our management.

We will ensure that all current clients receive a Summary of Material Changes to this and subsequent brochures within 120 days of the close of our fiscal year. A Summary of Material Changes is also included with our brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for HIC is set forth on the cover page of this brochure. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

A copy of our firm brochure will be provided to you free of charge by contacting us at the telephone number appearing on the cover page of this brochure.

**Item 3 – Table of Contents**

	<u>Page</u>
Item 1 – Cover Page.....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients.....	9
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss.....	9
Item 9 – Disciplinary Information.....	14
Item 10 – Other Financial Industry Activities and Affiliations.....	14
Item 11 – Code of Ethics, Participation or Interest in Client Transaction & Personal Trading ...	14
Item 12 – Brokerage Practices.....	16
Item 13 – Review of Accounts.....	18
Item 14 – Client Referrals and Other Compensation.....	19
Item 15 – Custody.....	19
Item 16 – Investment Discretion.....	20
Item 17 – Voting Client Securities.....	20
Item 18 – Financial Information.....	21

#### Item 4 – Advisory Business

- A** Hamrick Investment Counsel, L.L.C. (as used throughout this brochure, “HIC,” “firm,” “we,” “our,” and “us”) is a Washington limited liability company owned and managed by its principals, Todd Wathey, CFA, CFP® and Doug Haack, CFP®. The firm was originally founded as a sole proprietorship by Roy Hamrick in 1988 and was reorganized as a limited liability company in Washington in 2004. Mr. Wathey became an equity partner in January 2014 and became a majority owner of our firm effective as of April 2021. Messrs. Wathey and Haack serve as the firm’s investment advisor representatives and constitute the firm’s investment committee. As such, they are responsible for management of all client accounts. Business background information regarding our investment advisor representatives is disclosed in individual Form ADV Part 2B brochure supplements, which are provided to clients at the commencement of an advisory engagement with our firm.

We are an investment advisor registered with the SEC, and our sole office is located in Seattle, Washington. We manage highly individualized investment portfolios for individuals, foundations and nonprofit organizations, and other types of clients. The information contained in this brochure describes our investment advisory services, practices, and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our services to the needs of our clients. The words “you,” “your,” and “client” are used throughout this brochure to refer to you as either a client or prospective client of our firm.

Prior to forming an investment advisor-client relationship with you, we may offer a complimentary general consultation to discuss the nature of our service offerings and to determine the possibility of a potential advisory relationship. Investment advisory services begin only after you and HIC formalize the relationship by the execution of a written advisory agreement.

- B C** We offer a variety of investment advisory services to clients. Our investment advice is custom-tailored according to each client’s unique investor profile and financial circumstances.

When you engage us for portfolio management services, you will be required to deposit your assets at an independent qualified custodian (“Custodian”), typically a licensed broker-dealer, banking, or savings institution, and grant us limited authority to buy and sell securities within your account on discretionary basis. When we are granted discretionary authority, you authorize us to implement our investment recommendations directly within your account(s) held at the Custodian in your name, *without obtaining your specific consent prior to each transaction*. You always have the ability to impose reasonable restrictions on our management of your account(s), including the ability to instruct us not to purchase certain specific securities, types of securities, industry sectors, and/or asset classes.

We offer the following investment advisory services:

**Investment Supervisory Services.** We offer ongoing and continuous investment supervisory services that are uniquely tailored to your financial circumstances and needs. We will consult with you at the inception of our relationship (and periodically thereafter, as warranted) to gather information regarding your investment objectives, financial circumstances, tolerance for investment risk, and time horizon for investments. The information we typically request during

this data-gathering process will include, among other items, your current and expected income level, tax information, investment experience, current and expected liquidity needs, and your current portfolio construction. We will document your investment objectives, preferences, and restrictions in a written investment policy statement, present the investment policy statement to you for approval, and use it as the guide by which we will manage your account(s). We will then recommend an initial investment strategy and portfolio design and direct its initial implementation within your account(s) held at the Custodian.

We manage most of our client portfolios in a “balanced” style, which includes both stock (*i.e.*, equity) and bond (*i.e.*, fixed income) investments. For some clients, we also manage “growth equity” portfolios, where the portfolio may be more heavily weighted towards equity investments. Still, these accounts also typically include some balance of fixed income securities. In building and managing portfolios for our clients, we work only with publicly traded securities: stocks, bonds, mutual funds, exchange traded funds (“ETFs”) and other securities that trade in the public securities markets and that can be readily purchased and sold. Within that context, however, our client portfolios in general are very broadly diversified over a wide variety of asset classes and individual securities.

Following implementation of your investment portfolio, we will consult with you periodically, as necessary and appropriate, regarding the status of your investments and monitor their performance on an ongoing basis. We will directly implement changes within your investment account(s) when we determine them to be in your best interests, in consideration of current economic conditions, our market opinions and assumptions, and your individual financial circumstances and goals. It is your ongoing responsibility to advise us in writing of any changes to your financial circumstances that may have a material impact on the design of your portfolio. In addition to the monthly or quarterly account statements you will receive from the Custodian, we will provide you with additional reports and communications regarding the status of your investment at least quarterly (or more frequently, when warranted or reasonably requested by you).

The focus of our firm is on managing investment portfolios for our clients. From time to time, and primarily as a courtesy for our investment supervisory clients, we may provide portfolio and financial scenarios and projections for retirement planning purposes.

**Financial Consulting Services.** We offer stand-alone financial consulting services on a limited basis. These services are narrowly tailored and include financial advice designed to assist our clients with respect to specific life events (retirement, child birth, marriage, death, divorce, etc.), transactions (*e.g.*, business transactions, real estate purchases, and other large capital expenditures) or accounts (*e.g.*, allocation of assets held within an employer sponsored retirement account or a variable annuity held outside the accounts we manage directly for the client). These services do not include comprehensive financial planning services.

When we provide these services, you may select a discrete number of financial topics, accounts, or transactions upon which you would like to receive our financial advice on a consulting basis. Engagements for these services conclude upon our delivery to you of a written summary of our recommendations. You may accept or reject our recommendations, in whole in part, and are solely responsible for their implementation, including the selection and retention of any service providers to be utilized in connection with the same. Unless we otherwise agree to do so, we will not monitor

your investments made under this service; nor will we review or update our written investment recommendations following their delivery to you.

As part of this service, we may recommend that you independently engage certain third-party professionals (*e.g.*, attorneys, tax advisors, accountants, insurance professionals) to assist you in implementing the advice and recommendations we provide. We do not receive compensation or referral fees of any kind in connection with these recommendations and you are never obligated to engage any third parties we recommend as part of this service. You are also never obligated to engage our firm for any implementation services of any kind. We do not provide legal or tax advice to clients.

- D** Wrap Fee Programs. We do not recommend, sponsor, or serve as a portfolio manager to any wrap fee program(s).

Types of Investments Recommended. The types of investments we typically recommend to clients are described above in this Item 4. We may also advise clients on any assets held in their portfolio at the time of our engagement and other investments not listed above at the client's specific request.

Please see Item 8 of this brochure or a description of the investment strategies we typically implement in client accounts.

- E** Assets Under Management. As of December 31, 2022, we managed approximately \$232,020,752 in client assets on discretionary basis and \$576,672 on a nondiscretionary basis.

## Item 5 – Fees and Compensation

- A** A description of the fees we charge for advisory services is set forth in this Item 5. Our fees are generally non-negotiable; however, certain individual clients may pay fees that are higher or lower than those described in this firm brochure based on legacy fee arrangements or for other reasons.

Fees for Investment Supervisory Services. When you engage us for these services you will pay us an annual asset-based management fee calculated as a percentage of the market value of your account in accordance with the following fee schedule:

Client Assets Under Management	Annual Advisory Fee (retroactive to the first dollar)
First \$2,000,000	0.80%
Next \$3,000,000	0.60%
Next \$25,000,000	0.40%
Amounts over \$30,000,000	0.30%

These fees are payable quarterly in arrears and are calculated based upon the market value of your account(s) as of the close of the billing period. They shall be pro-rated and adjusted for partial billing periods and for any mid-period cash flows into or out of your account(s) based on the date of deposit or withdrawal. You should note that some or all of the investments in your account(s) may be intended as long-term investments and withdrawals of cash and premature liquidations of securities positions may impair our ability to achieve your investment objectives.

For purposes of calculating these fees, we rely upon the market value of your account (which shall include the value of any cash balances) as determined by the Custodian. The Custodian may use various pricing services such as Reuters and Standard & Poor's to price securities held in your account. For actively traded securities, these services use the actual last reported sale price. For less actively traded securities, such as bonds, these services will use the appropriate valuation methodology to determine the value of the security. You should contact us with any questions or concerns about the manner in which the Custodian has priced any investments held in your account.

Our investment supervisory services may be terminated at any time by either party, on written notice. The client may terminate the engagement within five (5) business days of entering into an advisory agreement with our firm, without cost or penalty. In the event of termination thereafter, the client shall pay HIC a pro-rated advisory fee based on the number of days services were provided during the terminating billing period.

Fees for Financial Consulting Services. When you engage us for these services you will pay us fees of \$300 per hour, or at such other rate as we may otherwise agree in a written financial consulting agreement. We never charge more than \$1,200 in fees for these services six (6) or more months in advance.

Our financial consulting services may be terminated at any time by either party, on written notice. The client may terminate the engagement within five (5) business days of entering into an advisory agreement with our firm, without cost or penalty. Any earned but unpaid fees shall be invoiced to you promptly following termination and shall be immediately due and payable to HIC.

- B** Payment Methods. HIC's fees for investment supervisory services may be paid by check or, at your option, by direct deduction from your designated account(s) held at the Custodian. When you provide us with written authorization for direct deduction of our fees, we will send a written request for payment to the Custodian, and they will pay us the requested amount of advisory fees directly from your account. Your authorization for direct fee deduction will be set forth in our written advisory agreement and/or the Custodian's account opening documents and may be revoked by you at any time. We will liquidate money market shares or use cash balances from your account to pay our advisory fees; however, if money market shares or cash value are not available, other investments may be liquidated. Please note that unexpected or premature liquidation of investments to pay our advisory fees may impair the performance of your account.

The Custodian will send an account statement to you monthly or quarterly, identifying the amount of funds and each security in your account at the end of the period and setting forth all transactions in the account during the period, including the amount of any advisory fees paid directly to us. The Custodian is generally not responsible for reviewing the accuracy of our fee calculations. We encourage you to review the Custodian's account statements promptly and carefully upon receipt. If you believe we have miscalculated the advisory fees or if there is any other issue with your account, you should contact us immediately at the phone number listed on the cover page of this brochure.

Fees for financial consulting services are payable by check (or other mutually agreed upon form of payment) upon our delivery to you of our financial consulting recommendations and an invoice for services rendered.

- C** Additional Fees and Expenses. Separate and in addition to our advisory fees, you shall be solely responsible to bear the costs of all internal fees, costs, and expenses charged by mutual funds, ETFs, real estate investment trusts (“REITs”), and other pooled investment vehicles purchased and sold for your account. You will also pay all usual and customary transaction-based fees (brokerage fees and commissions), custodial charges, wire transfer fees, and other fees and taxes associated with activity and holdings in your account(s). We do not share in any portion of the foregoing additional fees and expenses. To fully understand the total cost you will incur when engaging our services, you should review the prospectus of each mutual fund and ETF held in your account and the account opening documents of your Custodian.

While we believe our advisory fees to be reasonable for the services provided, clients should note that lower fees for comparable services may be available from other sources.

- D** Our termination policies are described above in this Item 5.

- E** Other Compensation. HIC is a fully independent, fee-only investment advisory firm. The only compensation we receive is the investment advisory fees paid directly to us by our clients. We do not engage in additional compensation arrangements or receive referral fees from third parties; nor do we or any of our associated persons accept compensation for the sale of any securities or insurance products or services. We believe this limited method of compensation best aligns with our fiduciary duty to you.

Individual Retirement Account Rollover Disclosure. As part of our advisory services to you, we may recommend that you withdraw or “roll over” assets from an employer’s retirement plan to an individual retirement account (“IRA”) that we may advise on and which may therefore result in additional advisory fees payable to us. This type of recommendation represents a conflict of interest for our firm. If we make this type of recommendation, you are under no obligation to follow such advice. Alternatively, you may have the options of (1) maintaining your retirement plan as is, (2) rolling over your account to the employer’s new retirement plan, (3) taking a taxable distribution, or (4) rolling over your account to a new IRA. It is important to understand the advantages and disadvantages of each approach, which will depend on individual financial circumstances. Prior to proceeding with any such action, we encourage you to contact us and your independent legal and/or tax professionals for more information.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not charge any performance-based fees for our services or engage in side-by-side management of client accounts.



HIC and/or individuals associated with our firm may manage accounts that belong either to themselves, individually, or to their family or their affiliates (collectively, “Proprietary Accounts”) while simultaneously managing client accounts. It is possible that orders for Proprietary Accounts may be entered opposite to orders for client accounts, pursuant to, for instance, a neutral allocation system, a different trading strategy, or trading at a different risk level. However, any such orders shall only be entered after orders for client accounts in the same securities have been executed on any given trading day. The management of any Proprietary Account is subject to our Code of Ethics and the duty of our firm and its personnel to exercise good faith and fairness in all matters affecting client accounts.

### **Item 7 – Types of Clients**

We typically provide investment advice to individuals and high net worth individuals with respect to taxable accounts, individual retirement accounts, custodial accounts for minor children, and trust accounts. We also manage some corporate retirement accounts, private foundation accounts, and investment accounts for nonprofit organizations. Because each client is unique, they must be willing to be involved in the planning and ongoing processes of our management of their account. Such involvement does not have to be time-consuming; however, we want our clients to remain informed and have a sense of security about their investments.

We typically require a minimum account size of \$500,000 to open or maintain an investment supervisory services relationship with our firm. Based on our standard fee schedule, this equates to a minimum annual advisory fee of \$4,000. We may waive these requirements at our sole discretion based on existing client relationships, our expectation of managing additional client assets in the future, familial or personal relationships with our associated persons, or for any other reason we deem relevant.

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

#### **A Our Methods of Analysis and Investment Strategies**

At HIC, we believe our basic investment approach to be conservative and generally longer term. We seek to maximize total returns while minimizing risk, through appropriate asset allocation, adequate diversification, and individual security selection.

We monitor business and economic conditions and capital markets daily and develop expectations, investment policy, and strategy accordingly. We continuously review and revise our expectations, investment policy, and strategy in response to the evolving overall outlook.

We believe that the investment markets are basically efficient. In theory, the “global market portfolio” (a representative portfolio of all investable assets worldwide) is the optimal portfolio.

Our investment research process begins with a political, economic, and capital markets analysis. We develop this analysis through in-depth research and continuous monitoring of a wide variety of periodicals, newsletters, and other research sources. We use this investment outlook to develop our specific investment strategies. Then, based on this outlook and investment strategies, we position our client portfolios.

Through our research and investment experience, we believe asset allocation to be by far the dominant factor that determines portfolio returns. As a result, a key strategy we use is active asset allocation, whereby we over- or underweight major asset classes or sectors in response to the evolving outlook. We make these active asset allocation weightings within tight parameters, typically plus or minus 5% of the target allocation, to minimize risks.

Expenses and investment management process are key factors we consider in fund selection. We tend to work with low-cost index funds to gain broad exposure to investment markets. We also work with actively managed no-load mutual funds to take advantage of the expertise of particular managers. We carefully screen no-load funds to take strategic positions in unique asset classes and particular market sectors. For investors who hold individual stocks in their portfolios, we maintain a Model Stock Portfolio. We select and monitor stocks through in-depth “bottom-up” research, including financial statement analysis, company contacts, industry analysis and critical discussion.

Within the context of each client’s investment policy, HIC seeks to maximize the investment returns for a given level of risk. Our clients must understand, however, that securities markets are volatile, and returns are uncertain. There are no guarantees of performance or that the goals set forth in each client’s investment policy will be met. Total returns from different reporting periods will vary widely and may in some periods be negative. In addition, individual investment selections and transactions shall be made in the context of the portfolio as a whole. The risk and performance of specific investments may vary widely yet still be suitable as part of the overall investment strategy.

We act as your fiduciary in rendering investment advice. We cannot warrant or guarantee any particular level of account performance or that an account will be profitable over time. Not every investment recommendation we make will be profitable. **Investing in securities involves risk of loss that clients should be prepared to bear.** You assume all market risk involved in the investment of your account assets. Investments are subject to various market, currency, economic, political, and business risks.

Except as may otherwise be provided by law, we are not liable to you for:

- any loss that you may suffer by reason of any investment recommendation we made with that degree of care, skill, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; or
- any independent act or failure to act by a custodian of your account(s).

## **B C Material Risks Related to Our Investment Strategies and Methods of Analysis**

As described above, we primarily take a long-term approach to investing client assets, with a focus on asset allocation.

We may recommend buying and holding securities for a year or longer. Typically, we employ this long-term approach when (1) we believe the selected securities or asset class to be undervalued, and/or (2) we want the portfolio to have exposure to a particular security or asset class over time, regardless of the current projection for this security or class of securities. A risk in a long-term

purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the recommendation to sell.

We may also recommend short-term purchases of certain securities (*i.e.*, securities bought and sold within one year). Typically, we employ this approach in an attempt to take advantage of conditions that will result in a favorable price swing in the selected securities or asset class within a shorter time frame. A risk in a short-term purchases strategy is that the anticipated favorable swing in price may not occur, and we are then left with a long-term investment in a security or asset class designed as a short-term investment. Short-term purchases of securities also receive less favorable tax treatment and will incur greater transaction costs when compared to a long-term purchases.

The primary goal of an asset allocation strategy is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. A risk of asset allocation is that you may not participate in sharp increases in the value of a particular security, industry, or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate to meet with your investment goals.

**Summary of Investment Risks.** While all investing involves risks and losses can and will occur, our advisory services generally recommend a broad and diversified allocation of securities and other investments intended to reduce the specific risks associated with a concentrated or undiversified portfolio. Nonetheless, you should consider the following high-level summary of investment risks. **This list is not intended to be an exhaustive description of all risks you may encounter in engaging our firm for advisory services. We encourage you to inquire with us frequently about the risks related to any investments in your account.**

**Risk of Loss.** Securities investments are not guaranteed, and you may lose money on your investments. As with any investment manager that invests in common stocks and other equity securities, our investment recommendations are subject to market risk—the possibility that securities prices will decline over short or extended periods of time. As a result, the value of your account(s) will fluctuate with the market, and you could lose money over short or long periods of time. You should recognize whenever you determine to invest in the securities markets your entire investment is at risk. Clients should not invest money if they are unable to bear the risk of total loss of their investments.

**Economic Risk.** The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

**Financial Risk.** Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of

financial risk can be found in cases like Enron or many of the “dot com” companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

Market Risk. The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company’s intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security’s price due to company specific events (*e.g.*, earnings disappointment or downgrade in the rating of a bond) or general market risk (*e.g.*, such as a “bear” market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

Interest Rate Risk. Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest-paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

Inflation Risk. An increase in inflation would result in loss of purchasing power of the assets held in a client’s investment portfolio, even if the dollar value of a client’s portfolio remains unchanged.

Information Risk. Our analysis of securities relies in part on the assumption that the issuers whose securities we recommend for purchase and sale, the rating agencies that review these securities, and other publicly available sources of information about these securities are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Client-Specific Risks. With regard to individual client accounts, there is risk that factors associated with an individual client portfolio may interfere with their investment returns. We manage each client’s account individually and accommodate instructions from clients regarding their unique preferences about how we handle their accounts. Therefore, if a client has particular instructions regarding securities they wish us to include or exclude in their accounts, or if they have unique issues, such as holdings with low tax cost basis, or specific instructions regarding investment decisions made in their individual accounts, such unique client factors may lead to unique risks in individual client portfolios.

In addition, all assets are held at the Custodian in your name, and you will always maintain the concurrent ability to direct transactions within your account. We are not responsible for the consequences of your self-directed investment decisions or the costs and fees they generate within your account.

Interim Changes in Client Risk Tolerance and Financial Outlook. The particular investments recommended by our firm are based solely upon the investment objectives, limitations, and financial circumstances disclosed to us by the client. While we strive to meet with clients at regular intervals (at least annually, unless otherwise agreed, either in person, telephonically, or by electronic means) to discuss any changes in the client's financial circumstances, the lack of constant and continuous communication presents a risk insofar as your liquidity, net worth, risk tolerance and/or investment goals could change abruptly, with no advance notice to our firm, resulting in a mis-aligned investment portfolio and the potential for losses or other negative financial consequences.

It is your continuing responsibility to give us complete information and to notify us of any changes in your financial circumstances which may affect our investment advice. We encourage you to contact us regularly and promptly to discuss your investments and any changes to your financial circumstances.

## **C Material Risks Related to Our Primary Securities Recommendations**

The types of investments we typically recommend are discussed in Item 4 of this brochure. Our emphasis is on developing and maintaining diversified and balanced portfolios for our clients. All of the securities we use in client accounts are publicly traded stocks, bonds, mutual funds, ETFs, and REITs that are subject to customary market risks.

Individual Common Stocks and Other Unique Securities Risk. In our clients' portfolios, we hold individual stocks and bonds and other securities that can experience dramatic swings in market value and may, in some instances, even lose all of their value. We seek to moderate this risk of holding individual securities through broad diversification in our client portfolios, but the risk of total loss on specific securities cannot be ruled out.

Mutual Funds and ETF Risks. Many of the investments held in our client portfolios are in diversified investment funds (*e.g.*, mutual funds and ETFs) invested in specific types of investment assets or market sectors, such as domestic stocks, domestic bonds (municipal and corporate), foreign stocks and bonds, and real estate investment trusts ("REITs"). Such funds are also subject to volatility in market value. In addition, they carry management expenses that are indirectly covered by the owners of such funds, which add to a client's overall expenses and can detract from a client's investment returns. We seek to minimize such extra costs on behalf of our clients by using funds with low expense ratios, but they still add to the overall expense borne by our clients. In addition, ETFs and "closed end" mutual funds trade at market values that can deviate from the underlying net asset value of such funds.

A mutual fund or ETF's past track record of success cannot be relied upon as a predictor of success in the future. In addition, the underlying holdings of any mutual fund or ETF are determined independently by their portfolio manager(s) and may change over time without advance warning to us, creating the potential for overlap with other investments held in your account. This increase in the correlation of your holdings will increase the risk of loss where the value of any overlapping holdings should decrease. There is also a risk that a portfolio manager may deviate from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding(s) less

suitable for the client's portfolio. Our firm does not control the daily business and compliance operations of any of the mutual funds or ETFs in which we may invest client assets, and thus our firm may be unaware of any lack of internal controls necessary to prevent any business, regulatory, or reputational deficiencies.

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

Neither HIC nor any of its personnel has ever been subject to any legal or disciplinary events. We have never received any complaints nor been the subject of any judicial, regulatory, or self-regulatory organization disciplinary action or proceeding, either foreign or domestic. We are unaware of any disciplinary event that would be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

Our firm and our related persons are not registered, nor do they have an application pending to register, as broker-dealers, futures commission merchants, commodity pool operators, commodity trading advisors, or associated persons of any of the foregoing.

Except for certain products and services we receive from our recommended broker-dealer, Charles Schwab & Co., Inc. (outlined in Item 12 of this brochure), we do not receive any additional compensation or benefits, either directly or indirectly, in connection with referrals of our clients to any broker-dealers, custodians, attorneys, tax advisors, accountants, or any other third-parties. We will only recommend and refer such third parties to you when we believe it to be in your best interests.

HIC does not have any other relationships, industry activities, affiliations, or arrangements and does not collect any additional compensation, directly or indirectly, that would create a material conflict of interest with its clients.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transaction & Personal Trading**

**A** Our Code of Ethics. We subscribe to an ethical and high standard of conduct in all our business activity in order to fulfill the fiduciary duty we owe to our clients. Included in these ethical obligations is the duty to put our client's interests ahead of our own, along with duties of loyalty, fairness, and good faith towards our clients. We disclose to clients material conflicts of interest that could reasonably be expected to impair our rendering of unbiased and objective advice. In addition, as holders of the CFA and/or CFP® designation(s), HIC's investment advisor representatives must ensure that their advisory activities comport with the Code of Ethics and Standards of Professional Conduct of the CFA Institute and/or the CFP Board's Code of Ethics and Standards of Professional Conduct.

HIC has a Code of Ethics ("Code"), which all its associated persons are required to follow. The Code outlines proper conduct related to all services provided to clients and will be made available to you, free of charge, upon request, by contacting us at the phone number and/or e-mail address listed on the cover page of this brochure. Prompt reporting of internal violations is mandatory. The management of our firm periodically evaluates the performance of our associated persons to ensure the quality of our services and compliance with our Code.

Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm and its staff, the Code requires, among other procedures, our “access persons” to report their personal securities transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow supervisors at the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or anticipated to be made, in the same securities that may be purchased or sold for client accounts. The Code is required to be reviewed annually and updated as necessary.

**B-D** Material/Proprietary Interests in Securities Recommended to Clients. Our firm and our associated persons do not have any proprietary or material interests in or any role in the management of any companies or investments that we recommend to our clients.

Personal Trading; Participation or Interest in Client Transactions. As described in Item 6 of this brochure, HIC and/or individuals associated with our firm may manage Proprietary Accounts. Proprietary Accounts may buy and sell some the same securities as we buy or sell for client accounts. This practice creates an actual conflict of interest with our clients, insofar as our firm or individuals associated with our firm may have a financial incentive to trade in securities for Proprietary Accounts in advance of or opposite to transactions in the same securities for client accounts. To address this conflict, our policy is that, assuming the purchase or sale is otherwise appropriate for the subject client accounts, we will purchase or sell securities for our clients’ accounts, as the case may be, before purchasing or selling any of the same securities for any Proprietary Accounts. In some cases, we may buy or sell securities for our own account for reasons not related to the strategies adopted by our clients. The only exception to this general rule is where our Proprietary Accounts may participate in an aggregate trade simultaneously with client accounts.

In summary, our practice of buying and selling for Proprietary Accounts the same securities that we buy or sell for client accounts is restricted by the following controls:

- We are required to uphold our fiduciary duty to our clients;
- We are prohibited from misusing information about our clients’ securities holdings or transactions to gain any undue advantage for ourselves or others;
- We are prohibited from buying or selling any security that we are currently recommending for client accounts, unless we participate in an aggregated trade with clients or place our orders after client orders have been executed; and
- We are required to periodically report our securities holdings and transactions to the firm’s Chief Compliance Officer, who must review those reports for improper trades.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interest of all the accounts we advise.

We will disclose to advisory clients any material conflict of interest relating to us or any of our employees that could reasonably be expected to impair the rendering of unbiased and objective advice.

## Item 12 – Brokerage Practices

- A** Recommendation of Broker-Dealers. Although clients may request us to execute transactions for their account through any broker-dealer of their choosing, we generally recommend that clients engage the custodial and brokerage services of Charles Schwab & Co., Inc. (“Charles Schwab”), an independent SEC-registered broker-dealer and Member FINRA/SIPC. We may recommend other firms for custodial and brokerage services in the future.

We are not affiliated with Charles Schwab, and Charles Schwab does not monitor or control the activities of our firm or its personnel. We do not have the discretion to determine the broker to be used for the execution of client transactions or the commission rates at which such transactions are to be effected for the client. The client has the sole discretion to select the Custodian and/or broker-dealer to be used for custody and execution of transactions for the client’s account. The client engages the Custodian and broker-dealer by executing the appropriate account opening documentation and authorizes our firm to direct the execution of transactions for the client’s account(s) through the services of the selected brokerage and custodial firms.

Best Execution. In recommending broker-dealers, we have an obligation to seek the “*best execution*” of transactions in your account. This duty requires that we seek to execute securities transactions for clients such that the total costs or proceeds in each transaction are the most favorable under the circumstances. The determinative factor in the analysis of best execution is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the recommended broker-dealer’s services. The factors we consider when evaluating a broker-dealer for best execution include, without limitation, the broker-dealer’s:

- Execution capability;
- Commission rates;
- Financial responsibility;
- Responsiveness and customer service;
- Custodian capabilities;
- Research services/ancillary brokerage services provided; and
- Any other factors that we consider relevant.

Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for specific account transactions. With this in consideration, our firm will continue to recommend that clients use Charles Schwab until their services do not result, in our opinion, in best execution of client transactions.

Directed Brokerage. If you choose to engage a broker-dealer other than the firm(s) we recommend for execution of transactions (*i.e.*, directed brokerage), you are advised that we may be unable to seek best execution of your transactions and your commission costs may be higher than those paid by clients who utilize the firm(s) we recommend. For example, in a directed brokerage account,



you may pay higher brokerage commissions and/or receive less favorable prices on the underlying securities purchased or sold for your account because we may not be able to aggregate your order with the orders of other clients. In addition, where you direct brokerage, we will typically place orders for your transactions after we place transactions for clients who utilize the services of our recommended broker-dealer(s). We reserve the right to reject your request to use a particular broker-dealer if such selection would frustrate our management of your account or for any other reason.

Soft Dollars and Other Indirect Benefits. The Custodian(s) and/or broker-dealers we recommend to you may provide us with certain brokerage and research products and services that qualify as “brokerage or research services” under Section 28(e) of the Securities Exchange Act of 1934 (“Exchange Act”). This is commonly referred to a “soft dollar” arrangement. These research products and/or services will assist us in our investment decision making process. Such research generally will be used to service all of our client accounts, but brokerage charges and similar fees paid by the client may be used to pay for research that is not used in managing that specific client’s account. Your account may pay the recommended Custodian(s) and/or broker-dealer firm(s) a charge greater than another qualified broker-dealer might charge to effect the same transaction, where we determine in good faith that the charge is reasonable in relation to the value of the brokerage and research services received.

Benefits Received from Charles Schwab and Others. There may be other benefits we receive specific to our recommendation of Charles Schwab to clients, such as software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its client accounts; and (v) assist with back-office functions, recordkeeping, and client reporting.

Other products/services we may receive from Charles Schwab include, but are not limited to, performance reporting, client resource management systems, third-party research, publications, access to educational conferences, roundtables and webinars, practice management resources, and access to consultants and other third-party service providers who provide a wide array of business-related services and technology with whom we may contract directly. Other brokers or custodians may provide us with similar benefits in the future in exchange for recommending their services to our advisory clients. The availability of these products/services benefits us because we do not have to produce or purchase them.

While we do not pay a fee for the above products/services (or pay only discounted fees) provided by Charles Schwab, not all client accounts may be benefit in equal measure (or in any measure) from our receipt of the same. Based upon the receipt of such services and information, we may have an incentive to continue to require clients to utilize Charles Schwab based upon our desire to continue to receive these products/services, rather than receiving best execution for client transactions. We mitigate this conflict of interest by periodically monitoring and reviewing the services provided to our clients by Charles Schwab for best execution.

Except as described above in this Item 12, we do not receive any compensation or incentive for referring you to the Charles Schwab for brokerage trades and custodial services.

**B** Trade Aggregation. We may aggregate client orders, so long as it is done for purposes of achieving best execution, and so long as no client is systematically advantaged or disadvantaged. Before aggregating client orders, we document the participating accounts and the allocation instructions. We submit allocation instructions to the broker-dealer before the market closes on the day of the order. We allocate aggregated orders to client accounts at the average price obtained. We allocate partially filled orders pro-rata based on the size of the order placed by each account. If we judge that we cannot or should not allocate a partially filled order pro-rata (*e.g.*, if the quantity of securities obtained is too small or would not have a material impact if distributed among each account), then we apply the following procedures:

- We allocate the order to client accounts only (*i.e.*, no employees that participated in the order may receive any allocation); and
- We document our allocation decision.

The trade aggregation and allocation practices of mutual funds and ETFs that we may recommend to you are disclosed in their respective prospectuses. We encourage you to review those documents carefully to understand the internal trade aggregation and allocation practices of these investments.

### Item 13 – Review of Accounts

**A** Account Review Policies. At HIC, we regularly review all holdings and transactions in our clients' accounts as follows:

Each business day, we review prices on all securities and all transactions in all client accounts.

At least once each quarter, we review all client portfolios on a stand-alone basis, with regard to their target asset allocation, performance, and unique needs and preferences.

We work on a team basis. Our investment outlook is determined collaboratively by our investment committee, which includes Messrs. Hamrick, Wathey, and Haack. The investment committee reviews our outlook and model portfolios at least quarterly. An individual portfolio manager is assigned to each client, generally in connection with development of each client's investment policy. Details regarding the business and educational backgrounds of each of our portfolio managers is provided in individual Form ADV Part 2B brochure supplements.

Clients who engage us for stand-alone financial consulting advice do not receive updates or account reviews following delivery of our written investment recommendations unless the client specifically requests such review and pays an additional advisory fee.

**B** More Frequent Account Reviews. More frequent reviews of client accounts/plans may be triggered by a change in the client's investment objectives, risk/return profile, tax considerations, contributions and/or withdrawals, large sales or purchases, security specific events, or changes in the economy more generally.

- C** Reporting to Clients. Clients receive standard account statements and trade confirmations, which are independently prepared and distributed by the Custodian of their account(s) on a monthly or quarterly basis.

HIC also sends quarterly account statements to all investment supervisory services clients. Our reports are intended to provide information that is supplemental to the information that is shown on the Schwab brokerage statements. Our quarterly reports typically show each client's assets under management and their fair market value at end of quarter, portfolio performance statistics relative to standard benchmarks, a statement of our fees for the period just ended, and updated commentary on our market outlook and strategy. Our reports are based on data that we download into our portfolio management systems directly from Charles Schwab. At least once each month, or more frequently if necessary, we electronically reconcile our records with those of Charles Schwab.

We encourage our clients to understand that the custodian of their assets is Schwab and that they should look to their Charles Schwab statements for the official description and valuation of their investment assets.

We also encourage our clients to compare our reports with those provided by Charles Schwab. In some instances, the values reflected in HIC's reports may differ slightly from those provided by Charles Schwab. In almost all instances, the reason for this is that HIC's reports comply with the Global Investment Performance Standards, also known as "GIPS." Under GIPS, accrued interest and dividends must be included in account valuations. Account balances on Charles Schwab account statements, however, may sometimes not include accruals. In all other respects, however, the balances reflected on our reports should be the same as the balances shown on your Charles Schwab account statements.

We encourage you to contact us or Charles Schwab and our firm with any questions concerning either our reports or the Charles Schwab account statements.

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

- A** As referenced in Item 12 above, Charles Schwab may provide services and products to us without cost or at a discount that we may use to service some or all of our client accounts, including accounts that do not execute trades through Charles Schwab or custody their assets at Charles Schwab.

As part of its fiduciary duties to clients, HIC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by our firm and/or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice to recommend Charles Schwab to clients for custody and brokerage services.

- B** We have no other arrangements, written or oral, in which we compensate others or are compensated by others for client referrals. The only compensation we receive is that paid directly to us by our clients, based on the fee schedule set forth in Item 5 of this brochure.

#### **Item 15 – Custody**

With the exception of our ability to directly debit fees as outlined in Item 5, we do not hold, directly or indirectly, client funds or securities or have any authority to obtain possession of them. All client assets are held at the qualified Custodian. We currently recommend Charles Schwab to act as your qualified Custodian to hold your assets and execute securities transactions for your account.

We shall have no liability to you for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of any Custodian or any acts of the agents or employees of any custodian, whether or not the full amount of such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance that may be carried by the custodian of your account(s). Clients understand that the SIPC provides only limited protection for the loss of property held by a custodian.

### **Item 16 – Investment Discretion**

Investment supervisory services clients are required to grant our firm ongoing and continuous discretionary authority to execute our investment recommendations within their account(s) held at the Custodian *without* obtaining the client’s prior approval for each specific transaction. In a discretionary arrangement, you authorize us to purchase and sell securities and instruments in your account(s), arrange for delivery and payment in connection with the foregoing, and act on your behalf in all matters necessary or incidental to the handling of the account, including monitoring of your assets and the receipt of duplicate account statements, notices, and other account information. Except for direct deductions of its advisory fees or where otherwise explicitly authorized by you in writing, HIC will not be permitted to initiate transfers of funds in or out of client accounts. Our discretionary management of your account will be conducted in strict accordance with your investment policy statement, which must be reviewed and approved by the client prior to our instructing any transactions within the client’s account(s).

### **Item 17 – Voting Client Securities**

HIC exercises voting authority over client proxies and has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940. The policies require us to vote proxies received in a manner consistent with the best interests of the client.

The policies also require HIC to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of its clients. However, the policies permit us to abstain from voting proxies if, in our judgment, the client’s economic interest in the matter being voted upon is limited relative to the client’s overall portfolio or the impact of the client’s vote will not have an effect on its outcome or on the client’s economic interests. Once HIC has agreed to vote proxies on behalf of a client account, it may instruct the client’s custodian to forward all proxy materials to a third-party proxy voting service provider engaged by HIC to administer proxy voting.

Our general proxy voting guidelines are summarized below:

- HIC will generally vote in line with recommendations for proxies relating to general housekeeping items.
- HIC will generally vote against proposals to entrench the board or adopt anti-takeover measures and that provide cumulative voting rights.

- Although many proxy proposals can be voted in accordance with our proxy voting guidelines, some proposals will require special consideration, and we will make decisions on a case-by case basis in these situations.
- When a proxy proposal raises a material conflict between HIC's interests and the interests of the clients, we will seek to resolve the conflict in the best interest of the clients.

Clients may obtain a copy of the firm's complete proxy voting policies and procedures and information about how we voted any specific proxies on their behalf by contacting us at the telephone number reflected on the cover page of this brochure. There is no charge associated with our delivery of a copy of our proxy voting policies and procedures to you.

### **Item 18 – Financial Information**

- A** We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B** Advisors who have discretionary authority over client accounts, custody of client assets, or who require or solicit pre-payment of more than \$1,200 in fee per client, six months or more in advance, are required to disclose any financial condition that is reasonably likely to impair their ability to meet contractual commitments to clients. HIC maintains discretionary authority over client funds and securities. We have no financial commitments that would impair our ability to meet contractual and fiduciary commitments to our clients.
- C** Neither HIC nor any of its principals have been the subject of a bankruptcy petition at any time in the past.