



# Hahn Capital Management, LLC

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This Brochure provides information about the qualifications and business practices of **Hahn Capital Management, LLC** (“HCM”). If you have any questions about the contents of this Brochure, please contact us at (415) 394-6512. 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.

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

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

## **Item 2 – Material Changes**

Currently, our Brochure may be requested by contacting Paul Javier, Director of Operations at (415) 394-6512 or [pjavier@hahncap.com](mailto:pjavier@hahncap.com). Our Brochure is also available on our web site [www.hahncap.com](http://www.hahncap.com), also free of charge.

Additional information about HCM is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with HCM who are registered, or are required to be registered, as investment adviser representatives of HCM.

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#### **Item 4 – Advisory Business**

Hahn Capital Management, LLC (“HCM”) is an Investment Adviser registered with the U.S. Securities and Exchange Commission – **SEC File number 108-32487**. HCM was founded in 1988 by Elaine F. Hahn, who is the firm’s current President and Chief Investment Officer. In 2004, HCM was converted from a wholly-owned LLC to a Member-Managed LLC and simultaneously distributed equity to Paul O. Javier (Director of Operations) and John D. Schaeffer (Director of Research). Subsequently, Michael Whitfield, Senior Research Analyst was admitted as a member in January 2008.

Hahn Capital Management, LLC is 100% employee owned with four (4) Managing Members:

Elaine F. Hahn – President and CIO

John D. Schaeffer – Director of Research and Portfolio Manager

Paul O. Javier – CCO and Director of Operations

Michael Whitfield – Senior Research Analyst

HCM provides non-custodial full discretionary investment advisory services to its clients. In most cases, HCM requires a minimum equity account size of \$500,000. However, in some instances, HCM may agree to manage an account with a value less than \$500,000. HCM's management fees may vary according to type and size of account, as well as level of client service provided. If account circumstances or the services provided are different from the typical account, fees may be negotiated.

HCM provides continuing investment advice on Investment Types including Mid Cap Value Equity, Mid Cap Core Equity and Equity Value Strategies as determined by written agreement with client.

The Mid Cap Value Equity, Mid Cap Core Equity and Equity Value Strategies focus on companies with \$1B to \$20B market capitalization.

HCM also participates in certain SMA/UMA Programs and Platforms as a Model Provider of HCM's Mid Cap Value and Mid Cap Core Equity Strategies, in which HCM provides security holdings and percentage weightings, including cash, in the form of a Model Portfolio. HCM does not have any direct relationships with any of the clients/advisers participating in such Programs/Platforms, nor does HCM retain any trading discretion. HCM sends an updated Model Portfolio when changes are made to its portfolio holdings and weights, as determined by HCM's Investment Committee.

HCM provides the Model Portfolio to the Program/Platform and participants in the Program/Platform may choose to include all or part of HCM's Model Portfolio holdings and weightings in their investment strategy.

HCM also acts as a sub-adviser to a Canadian Fund (U.S. Mid Cap Value) based in Ontario and is relying on the exemption from registration in Canada contained in Section 8.26 of the National Instrument 31-103 *Registration Requirement, Exemptions and On-going Registrants Obligation* (“NI 31-103”) under Canadian securities laws. HCM also acts as a sub-adviser to a U.S. Fund (Multi-Manager Mid Cap Value Fund).

All other Investment Types are only offered on a Client initiated basis. From time-to-time, HCM will, based on Client request, provide investment advice on investment types not included in the Mid Cap Value Equity, Mid Cap Core or Equity Value strategies. HCM as a matter of policy will notify any such client: that HCM considers these types of investments to be outside of HCM’s area of expertise; that these investment types will be **considered non-managed assets**; and, that HCM will not have discretionary authority for these investments.

### **Item 5 – Fees and Compensation**

The manner in which fees are charged by HCM is established in a client’s written agreement with HCM. HCM will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize HCM to directly debit fees from client accounts. Management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

HCM’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus.

Such charges, fees and commissions are exclusive of and in addition to HCM’s fee, and HCM shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that HCM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

HCM’s management fees may vary according to type and size of account, as well as level of client service provided. If account circumstances or the services provided are different from the typical account, fees may be negotiated.

The fee schedule that most often applies to HCM accounts is as follows:

<u>Mid Cap &amp; Equity Value Strategy</u>	<u>Fee Rate Per Annum</u>
On the first \$5,000,000 in market value of assets managed	1.00%
When the total market value of assets managed exceeds \$5,000,000 but is less than \$10,000,000	0.75%
When the total market value of assets managed exceeds \$10,000,000, but is less than \$15,000,000	0.60%
When the total market value of assets managed exceeds \$15,000,000	Negotiated

HCM Model Provider fees are generally negotiated with SMA/UMA Program/Platform sponsors, and also with certain Institutional clients, based on level of services provided by HCM.

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

HCM does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets).

#### **Item 7 – Types of Clients**

HCM provides non-custodial full discretionary investment advisory services to; individuals, high net worth individuals, family offices, corporate and public pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, trust programs, and U.S. and non-U.S. registered fund(s).

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

All of HCM's strategies are managed by HCM's Investment Committee which consists of Elaine F. Hahn - President/CIO; John D. Schaeffer - Director of Research/Portfolio Manager; Michael A. Whitfield, CFA - Senior Research Analyst; Alan Chung, CFA - Research Analyst; Jordan Herley – Research Analyst and Helen Chen, CFA – Research Analyst.

The basic investment philosophy and strategy have been in existence since the founding of the firm in 1988. The process has also been in place since the founding of the firm, though minor enhancements have been added periodically over the years in order to help HCM better assess and measure risk and utilize technology.

#### **Mid Cap Value, Mid Cap Core and Equity Value Strategies:**

The foundation of HCM's investment selection process is bottom-up, fundamentally-driven security selection.

Our approach combines our original quantitative research with our fundamental judgment. We place significant emphasis on due diligence to assess the risk potential of each investment candidate before assessing its return potential.

The discovery of value within specific securities, rather than market sectors, drives the construction of the portfolio. Our in-depth research process results in a concentrated portfolio of companies—about 30-35 companies on average. A more limited portfolio of investments gives us the ability to understand our companies in great depth. The following characteristics constitute HCM’s definition of quality and represent an important hurdle for each of our prospective ideas to pass.

We are looking for companies that possess the following characteristics:

1. A business franchise with quality products, services or solutions.
2. A strong management team that is shareholder friendly; that skillfully deploys its cash flow and that manages the business for the long-term.
3. A strong balance sheet that is managed for varying economic conditions and supports the growth goals of the business.
4. A business model which, if executed properly, can sustain a competitive advantage or a high barrier to entry over a long-term time horizon.

The specific process of security selection is broken down into 5 distinct phases: Discovery, Due Diligence, Quantitative & Qualitative Analysis, Decision & Review.

### **The Discovery Phase**

From our stock selection universe, we attempt to identify industries and/or companies where there is positive fundamental change taking place, and where this change is not yet recognized in the broader investment community. We use various sources of market intelligence during this discovery phase including management interviews, industry contacts, other independent research sources, trade publications and other media sources. We also use the Thomson Baseline database to identify business sectors and individual companies that are attractively valued according to our sector-specific screening criteria.

At the industry level, we focus on industries in transition, out-of-favor, or out-of-cycle sectors where we can identify an inflection point leading to improving supply/demand and pricing fundamentals or to consolidation within the industry.

At the company level, we look for changes that will lead to improving and more sustainable profitability, such as a change in the management, a restructuring of the business, or new proprietary product(s) or service(s).

While change is the requisite element to identifying a potential investment candidate, there must also be a Value Creator.

The Value Creator is the facilitator of change that transforms the company or industry into a more profitable entity. Examples of industry value creators include 1) new legislation or regulations, 2) technological innovation, or 3) an improving supply/demand structure. Examples of company-specific value creators include 1) an accretive acquisition, 2) the sale of an underperforming business, or 3) a new product introduction.

A stock being considered for inclusion in the portfolio is presented by an analyst/manager at a meeting of the investment committee. The analyst must make a preliminary assessment of the suitability of the company from both a quantitative and qualitative perspective. If this initial hurdle is passed, it is decided by majority vote whether to proceed with a more in-depth study of the company. Approximately two-to-three companies are being evaluated simultaneously, while another 10-20 comprise our 'watch list'.

The underlying rationale behind the search for value creators is to avoid value traps, which we define as undervalued businesses with no path toward recognition of this value.

The four primary sources for the vast majority of our ideas are as follows.

1. Proprietary Screens – We maintain a special database for our proprietary screens, which are based on the search for statistical cheapness as well as proprietary factors that may indicate the presence of value creators.
2. Networked Idea Flow – Our firm shares information, potential investment ideas and other firm resources with other investment firms with whom HCM has a shared or similar investment philosophy or strategy.
3. Adjacencies to our existing portfolio or knowledge base – The depth and quality of our company specific research often results in value added idea generation in companies that are suppliers, customers or competitors of the subject of our research efforts that are subsequently leveraged into potential investment ideas.
4. Grassroots Investment Research – In the course of our day to day research activities we frequently identify secular trends or opportunities and commission an in-house research project to specify and identify the parameters and best method of leveraging the associated investment opportunities.

Assuming that we have identified an investment opportunity that meets our initial criteria around quality, the existence of potential value creator(s) and a discernible discount to prospective intrinsic value, that idea is then moved forward through our due diligence process.

## **The Due Diligence Phase**

Each stock that is added to our portfolio must pass a rigorous due diligence process. Only after this due diligence process is concluded is a company then moved through our complete quantitative and qualitative analysis.

After having identified a specific company believed to have the potential for value creation for our client portfolios, we analyze the company in three broad areas to make certain that it is suitable from a risk perspective before potential returns are analyzed.

These three areas are:

1. Management Characteristics, which we broadly define, as a measure of how investor friendly a given management team is using various criteria including but not limited to: accessibility, earnings guidance policies (goals & strategy), conference and trade show visibility, and history of communication.
2. Stock Characteristics, which we define as liquidity, insider trading policies, trends and, composition of shareholder base and other factors which generally may increase potential volatility risk.
3. Balance Sheet Issues, which we broadly define as any liability which may not run through the income statement but otherwise affects the value of the company, i.e. - pensions, post retirement healthcare obligations, options, synthetic leases, operating leases, special purpose vehicles, etc.

Assuming an investment idea has successfully passed through both our idea generation and due diligence phases, it then moves into the quantitative and qualitative analysis phase, which are actually two distinct processes that take place concurrently.

## **The Quantitative & Qualitative Analysis Phase**

Upon successfully completing the due diligence process, the company is then analyzed in greater depth on both a quantitative and qualitative basis. It is at this point in the analysis process that the individual investment idea transitions from being the sole responsibility of the analyst who produced the idea, to the research team who then works together to complete the analysis. The investment professionals in the investment committee manage portfolios as a team effort.

The distinguishing feature of our quantitative process is that we fit the valuation model to the company, not the company to the model. In other words, it is not a one-size-fits-all approach. We apply the most appropriate quantitative valuation methodology (e.g. cash flow, enterprise value, sum-of-the-parts) to value the business. Often, this enables us to uncover 'hidden values' or assets that are discounted within the broader enterprise.

In addition, our valuation process is focused on finding companies or assets that we believe are worth more if acquired by another business owner. An important aspect of our quantitative analysis process is the conservatism that we build into the process with respect to valuation assumptions.

The qualitative aspect of our analysis focuses on business issues and includes analysis of management, products & markets, competition, vendors and customers, infrastructure, expense structure, compensation and any other relevant business specific issues. In particular, we try to establish the existence of competitive advantage in the company's enterprise, establish the source of that competitive advantage and finally the expected period of sustainability for that competitive advantage. In executing on this analysis we analyze the company's unit economics, its relationships with its competitors, customers, suppliers and shareholders and generally evaluate the quality of execution from various layers of management. Our qualitative evaluation must establish that the company is likely to achieve our appraisal of its intrinsic value.

### **The Decision Phase**

If the investment committee determines that the investment should be recommended for purchase, the analyst who originated the idea presents a full report to the Investment Committee, which includes both the Quantitative and Qualitative analysis. The decision to buy or sell a stock is made by committee vote. Though it is rarely employed, the CIO, Elaine Hahn, reserves the right to veto the purchase of any potential portfolio holding, or to decide to sell a security in the portfolio.

### **The On-going Review Phase**

Once a stock has been purchased, the process requires that we review the position on a regular basis. This involves continued discussions with management, analysts, customers and other constituents, tracking the emergence of the expected Value Creator(s), and monitoring the stock price and volume movements within the industry peer group to detect any unusual activity. We also regularly review the security weighting in the portfolio for rebalancing when necessary.

The basic investment process has been in place since the inception date of the firm or January 1, 1988. In terms of how we view ourselves compared to other 'value' managers, we think of ourselves as an 'Intrinsic' value manager, that uses the above referenced process to discover the true economic value of the underlying business rather than employing a relative value or a purely statistically driven value approach, as do many of our peers.

## **Sell Discipline**

We view the decision to sell a stock as important as the decision to buy a stock. Thus we employ a disciplined and structured sell process designed to take the emotion out of the decision. In some instances, however, what might appear to be a good reason to sell is in fact, an opportunity to take advantage of a temporary setback in the stock price. We believe it is important to evaluate the underlying reason for the setback and judge its longer-term implications before selling the stock. There are essentially four criteria that trigger our decision to reduce a stock and two criteria which would cause us to sell a stock completely:

We reduce our holdings in a company when:

- 1) The company becomes greater than 5% of the entire portfolio.
- 2) The company is part of a specific economic sector which has become greater than 25% of the entire portfolio (Sector categories according to GICS).
- 3) The fundamental risk profile of the company has increased in a material fashion due to industry conditions, lack of management execution, or any other fundamental cause.
- 4) The company has reached or significantly exceeded an intermediate term (12-18 month) price target.

We will sell our holding in a company in its entirety when:

- 1) The value creator(s) that we have identified fails to emerge. When we purchase a stock, we must see one or more value creators that will improve the company's profitability over the longer term, such as a new proprietary product or service, the sale of an under-performing business, or a restructuring of a company's business operations that increases future earnings growth. If the value creator(s) does not emerge within a nine to twelve months timeframe after purchasing the stock, we will sell the stock.
- 2) The stock reaches our terminal value. If the stock has reached our estimated terminal value, we review the position and the fundamentals before selling the stock. If the price is ahead of the fundamentals, we will sell the position. However, if we conclude that we have underestimated the appraised value due to better than expected growth, higher margins or other factors we may maintain or even add to the position after establishing a higher terminal value.

## **Risk Control and Loss**

At HCM, **risk management** is at the core of our investment philosophy and is incorporated into our investment process from beginning to end. Our effectiveness at risk management, we believe, is paramount to our ability to provide superior risk adjusted returns.

Towards this objective, HCM employs a proprietary Risk Matrix to assess and control the risk associated with each of our portfolio holdings. The analytical tool examines risk in three categories: 1) discount to intermediate term (12-18 month) price target, 2) relative weighting in the portfolio, and 3) a fundamental risk factor assigned to each company on the basis of our evaluation of the relative fundamental quality of the enterprise.

The output of this risk matrix ranks our companies 1-35 (based on a 35 company portfolio) least risk to most risk. This information is used to adjust the position weights in the portfolio, taking funds away from higher-risk securities and re-deploying the funds into lower-risk positions. This process rebalances the risk within the portfolio as a whole.

***Despite HCM's continuous efforts to reduce risk and avoid loss of capital, investing in securities involves risk of loss that clients should be prepared to bear.***

### **How We Add Value through our Investment Process**

We believe that our investment philosophy and process offer our clients several unique and important characteristics that make our investment results, robust, transparent & repeatable. The aspects of our philosophy, strategy and process that we specifically believe add value are as follows:

- **Our Concentrated Style** - HCM's concentrated approach means that we **buy our best ideas**. This results in a portfolio of 28-35 companies that we understand very well. We generate **original and value-added research** and believe that we possess an **informational advantage** due to the limited number of securities that we hold in our client portfolio.
- **Our Risk Management Culture** - At HCM, we address the risk of an investment first, then the return potential. This risk-management focus improves our research efficiency and productivity by reducing time and resources that might have been spent unnecessarily if the risks had not been identified early in the research process. In addition, our extensive and proprietary *Due Diligence Checklist* reveals investment risks that might otherwise be missed or underestimated in terms of their impact on our business valuation.
- **Our Focus On Absolute Rather Than Relative Returns**. Our goal to achieve an average annualized return keeps us focused on adding value each year regardless of market conditions or sentiment. This is a targeted return goal and will vary from year-to-year and from client-to-client. Past performance does not assure same results in the future.
- **Our Sell Discipline**. Strict fundamental criteria are used to determine when and under what circumstances portfolio holdings will be sold so as to remove emotion from the process.

- **Our Long-term Focus.** We believe that our long-term investment time horizon gives us a competitive advantage, particularly as the average investment holding periods among our peers continue to decline. This short-term focus creates a greater number of opportunities for us to identify securities that are mispriced if valued over a longer-term timeframe.

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

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HCM or the integrity of HCM’s management. HCM has no information applicable to this Item.

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

HCM has no information applicable to this Item.

### **Item 11 – Code of Ethics**

HCM has adopted a Code of Ethics for all officers, manager and employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. HCM considers all officers, managers and employees as “Access Persons” as defined by SEC Rule 206(4)-7. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All officers, managers and employees at HCM must acknowledge the terms of the Code of Ethics annually, or as amended.

HCM’s reputation is a reflection of the quality of our officers, managers and employees and their dedication to excellence in serving our clients. To ensure these qualities and dedication to excellence, our officers, manager and employees must posses the requisite qualifications of personal character, integrity, professionalism, experience, intelligence, and judgment necessary to effectively serve as investment management professionals.

All officers, managers and employees are expected to demonstrate the highest standards of moral and ethical conduct. Officers, managers and employees may not use their position, or the knowledge gained there from, to create a conflict between their personal interest and the interest of any HCM client. The general principals involved are stated in the following quote from the Securities and Exchange Commission:

“An investment advisor is a fiduciary. As such he owes his clients undivided loyalty, should not engage in any activity in conflict with the interest of any client, and should take the steps reasonably necessary to fulfill his fiduciary obligation. Thus, an investment advisor must not only refrain from effecting, on his behalf, securities transaction which is inconsistent with his fiduciary

obligation; he should also be reasonably certain that persons associated with him are not improperly utilizing the information which they obtain in the conduct of the investment advisory business in such manner as to adversely affect the interest of clients or limit advisor's ability to fulfill his fiduciary obligations.”

HCM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which HCM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which HCM, its affiliates and/or clients, directly or indirectly, have a position of interest. HCM's officers, managers and employees are required to follow HCM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, managers and employees of HCM may trade for their own accounts in securities which are recommended to and/or purchased for HCM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the officers, managers and employees of HCM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing officers, managers and employees to invest for their own accounts. In addition, the Code requires **pre-clearance of all transactions**. HCM officers, managers and employees must not buy or sell any securities for their personal account(s) or account(s) they have full or partial discretion for a period of not less than 24 hours following the completion of the transaction(s) for clients of HCM for which purchase or sale is intended. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between HCM and its clients.

HCM acknowledges the importance of client privacy and security of the information relating to clients and their accounts. HCM collects non-public information about clients from the following sources:

- Information we receive about clients on applications and other forms;
- Information given to us in writing, by email and orally; and
- Information about client transactions with us or others.

We do not disclose any non-public personal information about our clients or former clients without the client's authorization, except as required by law or in response to inquiries from governmental authorities.

We also may disclose that information to unaffiliated third parties (such as brokers or custodians) only as permitted by law and only as needed for us to provide agreed services to clients.

HCM and its officers, managers and employees will adhere to the privacy policies and practices as is described in this notice. Our firm maintains physical, electronic, and procedural safeguards to protect your non-public personal information.

HCM considers communication by electronic mail (“E-mail”) or other electronic means, and acknowledge any such communication by electronic means will have the same effect as written communication, from Clients\* who have provided HCM with a valid E-mail address or addresses to send and receive E-mail to and from HCM.

*\*Client is defined as individual(s) and/or entity (e.g. corporation, company, partnership, joint venture, foundation, endowment, mutual funds, etc.) that manages, directs, or owns an investment account over which HCM has discretionary investment management authority.*

By signing HCM’s Client Agreement Contract and providing a valid E-mail Address of Record or retaining HCM’s Investment Advisory services indirectly through third-party programs, Client acknowledges and consents to this Electronic Delivery Communication Policy.

Clients understands all E-mail sent to and from HCM is subject to monitoring, review by or disclosure to someone other than Client’s intended recipient and acknowledges that there may be delays in E-mail being received by the intended recipient. Client agrees to hold HCM harmless for any delay in E-mail delivery regardless of whether the delay was caused by HCM or a third party. E-mail sent to and from an HCM address may be retained by HCM’s e-mail system.

Client is aware and acknowledges the limitations of the Security and Privacy of sending and receiving E-mail to and from HCM. Client understands that, from time to time, Client will receive reports and/or documents via E-mail and acknowledges that any report and/or document that contain confidential Client information may and will be sent to Client’s E-mail Address of Record.

Client further understands that it is Client’s responsibility to safeguard Client’s e-mail account access information. HCM will consider any and all communication sent to and received from Client’s E-mail Address of Record to have been authorized by Client. In the case wherein Client believes the security of Client’s e-mail address has been compromised, Client shall notify HCM immediately by telephone on (415) 394-6512.

There may be individuals to whom Client grants authority to access Client’s e-mail account. Communications to HCM initiated by any such individual from Client’s E-mail Address of Record will also be considered to have been authorized by Client.

Client hereby indemnifies and holds HCM harmless from any and all communication(s) sent to and received from Client's E-mail Address of Record, which results in any and all fraudulent activity.

Client is responsible to ensure HCM has in its records Client's current and correct E-mail address. Client shall notify HCM of any change to Client's E-mail Address of Record.

Client, at anytime, may choose to Opt-out from receiving and/or sending any and all communication to/from HCM by E-mail. Should Client choose to Opt-out, Client shall provide HCM with a mailing address whereat Client may receive such communications, reports and/or documents; Subsequent communications with HCM will be conducted by telephone, facsimile, or postal mail. Client acknowledges that any communication by telephone, facsimile or postal mail shall be deemed to be written communications.

Opt-Out notification should be submitted in writing.

Pursuant to the Securities and Exchange Commission Rule 206(4)-7, HCM has adopted and implemented policies and procedures that are reasonably designed to prevent violations of federal securities laws by HCM officers, managers and employees.

The policies and procedures manual provide HCM officers, managers and employees knowledge of the laws and regulations that govern investment advisers and adviser activities. The manual sets policies and procedures to ensure compliance with regulatory requirements by all HCM officers, managers and employees. All officers, managers and employees of HCM will receive a copy of HCM Company Policies and Procedures Manual (Compliance Manual) which includes sections on SEC Rule 206(4)-7 and annually be required to acknowledge in writing receipt and review of the policies and procedures.

HCM's clients or prospective clients may request a copy of the firm's Code of Ethics and HCM Company Policies and Procedures Manual (Compliance Manual) by contacting HCM.

## **Item 12 – Brokerage Practices**

HCM may recommend to a client that it designate a specific broker-dealer as custodian of client assets and for the purchase and sale of securities for client's account(s). In doing so, HCM considers the broker-dealer's execution, clearance and settlement capabilities, whether the broker-dealer offers insurance in excess of the insurance afforded by the Securities Investor Protection Corporation, HCM's knowledge of the broker-dealer's financial stability and capabilities, and the broker-dealer's willingness to negotiate commission rates. The value of research furnished HCM by the broker-dealer may also be a factor.

In some instances, selected broker(s) are utilized for clients that contractually require HCM to direct business to minority- and/or woman-owned firm(s), to satisfy obligations to participate in recapture commissions programs or to comply with client instructions to use brokers of their choice.

HCM will also place orders with brokerage firms pursuant to direction received from client(s) (“directed brokerage”). Directed brokerage is typically arranged by an advisory client as a method whereby the brokerage commissions serve as compensation to the broker for goods and services provided directly to the client in an agreement negotiated between the client and the broker. Clients using direct brokerage arrangements may pay higher commissions on some transactions than may be attainable by HCM, or may receive less favorable execution of some or all transactions. If a client designates a broker of record, a majority or all of their transactions are to be effected through that broker and his brokerage firm.

If a client directs the use of a particular broker-dealer, client does so even though HCM might be able to obtain a more favorable net price and/or execution from another broker-dealer in particular transactions. A client who designates use of a particular broker-dealer, including a client who directs use of a broker-dealer who will also serve as custodian, whether or not recommended by HCM, should consider whether, under that designation, commission expenses, execution, clearance and settlement capabilities, and whatever amount is regarded as allocable to custodian fee, if applicable, will be comparable to those otherwise obtainable by HCM.

A client who designates use of a particular broker-dealer should understand that he may lose the possible advantage which non-designating clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security. HCM requires a signed letter on file from clients acknowledging the possible loss of advantage should clients wish to designate a particular broker-dealer.

Client(s) electing to use directed brokerage understands that HCM’s advisory services do not include the negotiation of commission rates. The client understands that client may, if client desires, negotiate commission rates with the broker or other representatives of the brokerage firm designated by the client and that the factors involved in such negotiation may include the size of the brokerage account, the brokerage firm’s policy with respect to representative and other factors. The client further understands that unless a lower rate has been negotiated by the client on his behalf, client should expect that the designated brokerage firm will charge commissions based upon the firm’s established non-discounted commission schedule.

Commissions charged on client designated broker accounts are subject to the direct negotiation between the broker and client. In the absence of direct negotiations between broker and client, HCM reserves the right to adjust the fees and/or commissions charged,

depending on the size or number of trades for the account, and the number and range of supplemental services that the broker may be providing to the account.

Moreover, fees or commissions may vary from client to client as the result of the application of a prior fee schedule depending on client account inception date.

HCM may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts managed by HCM. In such event, the average price of all securities purchased or sold in such transactions may be determined and a client may be charged or credited, as the case may be, the average transaction price. When HCM is unable to purchase or sell the full amount of a security that it believes is appropriate for all of its clients, HCM will allocate such purchases and sales among its clients over time in a manner that it believes is fair to all of its clients. Specifically, initiations or sales of positions are allocated across all accounts if a minimum of 50 basis points of the total portfolio is purchased / sold. If HCM is unable to achieve this volume due to any adverse trading conditions, then the securities are allocated to individual accounts in alphabetical order. HCM tracks and archives the instances when this occurs and alternates the alphabetical order from A, then B, then C until the alphabetical order starts with Z, for each instance this occurs. By adopting this method, with each instance that requires an alphabetical order, each client is given an opportunity to be first. In general, there are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by HCM, most of which accounts have similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be affected only when HCM believes that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective of HCM is always to allocate the executions in a manner which is deemed equitable to the accounts involved.

HCM may purchase from a broker or allow a broker to pay for certain research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, performance measurement data, on-line pricing, quote machine rent and the like (a "soft dollar" relationship).

Subject to the requirement of seeking the best available price and execution, HCM may pay a brokerage commission in excess of that which another broker/dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. In such a case, however, HCM will determine in good faith that such commission is reasonable in relation to the value of brokerage, research and other services and soft dollar relationships provided by such broker/dealer, viewed in terms of either the specific transaction or HCM's overall responsibilities to the portfolios over which HCM exercises investment authority.

It should be noted, however, that one account may pay higher brokerage commissions than are otherwise available, while the research and other benefits resulting from the brokerage relationship would benefit all HCM accounts or HCM's operations as a whole.

HCM will make no commitments to place orders with any particular broker or dealer or group of brokers or dealers. Annually, HCM projects the normalized (net of any expected client turnover) level of commission dollars it expects to generate in the course of a fiscal year, and through an allocation process, which entails the review of the soft dollar review committee as to the quality of research services and investment information received from various brokers or dealers, establishes a budget of commission dollars to be directed to brokers providing us with the highest overall quality information and services. There are no absolute dollar-amount requirements that must be met; moreover, no orders will be placed if the broker is not able to meet the requirement for best execution.

Soft-Dollar policy is periodically reviewed by the Soft-Dollar committee.

While HCM does not sponsor or participates in any sponsored wrap fee programs, it is currently retained under so-called "wrap management fee" arrangements in which a broker-dealer executes the client's portfolio transactions without separate commission charges, monitors HCM's performance, and may also act as custodian, or provides a combination of these or other services, all for a single fee.

In a "wrap management fee" arrangement, HCM may receive a management fee calculated on a fee schedule that varies from the fees charged to other clients. In evaluating such a program, a client should understand that brokerage commissions are not negotiated by HCM. Transactions are effected "net" and a portion of the "wrap management fee" is generally considered as in lieu of commissions. Trades will be generally executed only with the referring broker, so as to avoid incurring the incremental brokerage costs that would be incurred by use of other brokers. In evaluating a "wrap management fee" arrangement, the client should consider whether, depending on the level of the "wrap management fee", the amount of portfolio activity, and the value attributed to monitoring, custodial and any other services provided, the "wrap management fee" would exceed the aggregate cost of such services if they were separately provided and HCM were free to choose broker-dealers to execute portfolio transactions.

It is HCM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. HCM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

### **Item 13 – Review of Accounts**

HCM shall attempt to meet with Client(s) or his/her representatives at least once per year to review the investment management activities in a Client's account, and any reports related thereto, as may reasonably be requested by the Client(s) or client's representative. This may be done in person or in a conference call with the Client.

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

HCM may enter into a written third party solicitation agreement for referrals to Hahn Capital Management. Under such agreements the third party may refer or solicit clients for HCM and receive a portion of the management fee charged per negotiation.

Any compensation to third parties for client referrals is fully disclosed to the client as required by Rule 206(4) -3 of the Investment Advisors Act of 1940.

In addition, HCM has entered into written incentive compensation agreements with certain of its officer, managers and employees. Pursuant to each such incentive compensation agreement, HCM pays to the employee for specified periods of time specified percentages of the advisory fees paid to HCM by clients HCM determines to have become its clients as a result of the officers, managers or employee's efforts. Each incentive compensation agreement complies with Rule 206(4) - 3 adopted under the Investment Advisers Act of 1940.

The referral fees paid for client solicitations do not affect the amount paid by clients to HCM for advisory services.

HCM maintains a solicitation arrangement with Cedar Partners, Ltd. ("Cedar"), a third party marketing firm, effective April 1 2008. Cedar receives an annual retainer fee as well as 20% of the investment management fees earned on assets placed under management at HCM by the efforts of Cedar. Cedar is not affiliated with and has no relationship with HCM other than a separate written agreement covering the solicitation of business on the behalf of HCM. Cedar is not a broker-dealer. All fees paid to Cedar are in hard dollars. HCM has a standard fee schedule and is not adding a differential to compensate Cedar for any solicitations by them.

## **Item 15 – Custody**

HCM provides non-custodial discretionary investment advisory services to its clients.

Clients will receive monthly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. HCM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

HCM receives full discretionary authority from the client upon execution of the Advisory Client Agreement contract with a selected investment strategy, which determines the securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment strategy for the particular client.

When selecting securities and determining amounts, HCM observes the investment policies, limitations and restrictions, if any, of the client(s), for which HCM advises. Investment guidelines and restrictions must be provided and agreed to by HCM in writing prior to or at the time of executing the Advisory Client Agreement.

HCM, subject to individual client guidelines and restrictions, makes client investment decisions, determines the broker to be used and the commission rates at which transactions will be executed, with the objective of achieving the most favorable combination of commission price and market efficient execution for each transaction. In selecting a broker for any transaction or series of transactions, HCM may consider a number of factors, including, for example, commission price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call and other matters involved in the receipt of brokerage services generally. When circumstances relating to a proposed transaction indicate that a particular broker or dealer is in a position to obtain the best execution, the order is placed with that broker or dealer. This may or may not be a broker or dealer that has provided research services to HCM. Such investment information and research services may include: issues and industry analysis, economic and market data, and other related and survey data concerning the products and services of an issuer and its competitors, designed to enhance HCM's ability to analyze an issuer.

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

Where HCM is responsible to vote proxies for a client, it has adopted policies and procedures in an effort to ensure that votes are cast in the best interests of its clients and that proper documentation is maintained relating to how proxies were voted.

HCM's basic policies and procedures are as follows:

HCM has adopted pre-determined proxy voting guidelines (the "Guidelines") to make every effort to ensure the manner in which shares are voted is in the best interest of clients and the value of the investment. Under the Guidelines, HCM may delegate to a non-affiliated third party vendor, the responsibility to review proxy proposals and make voting recommendations on behalf of HCM. Additionally, HCM may vote a proxy contrary to the Guidelines if it determines that such action is in the best interest of our clients. Conflicts of Interests relating to proxy proposals will be handled in various ways depending on the type and materiality. Generally, where the Guidelines outline HCM's voting position, as either "for" or "against" such proxy proposal, voting will be in accordance with HCM's Guidelines. Where the Guidelines outline HCM's voting position to be determined on a "case-by-case" basis for such proxy proposal, or such proposal is not listed in the Guidelines, then HCM will choose either to vote the proxy in accordance with the voting recommendation of a non-affiliated third party vendor, or vote the proxy pursuant to client direction. The method selected by HCM will depend on the facts and circumstances of each situation and the requirements of applicable law.

HCM may choose not vote proxies in certain situations or for certain accounts, such as: (1) where a client has informed the firm that it wishes to retain the right to vote the proxy, the firm will instruct the custodian to send the proxy material directly to the client; (2) where the firm deems the cost of voting would exceed any anticipated benefit to the client; (3) where a proxy is received for a client account that has been terminated with the firm; (4) where a proxy is received for a security the firm no longer manages (i.e. the firm had previously sold the entire position), and/or; (5) where the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security in question. Also, HCM may be unable to vote proxies for any client account that participates in securities lending programs (i.e. mutual funds). A complete copy of

HCM's current Proxy Voting Policies, Procedures and Guidelines may be obtained by contacting HCM.

## **Item 18 – Financial Information**

HCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.



# Hahn Capital Management, LLC

601 Montgomery Street, Suite 840

San Francisco, CA 94111

Phone: (415) 394-6512

Fax: (415) 394-6518

Website: [www.hahncap.com](http://www.hahncap.com)

Date: February 23, 2015

**This Brochure Supplement provides information about HCM's Investment Professionals; Elaine F. Hahn, John D. Schaeffer, Paul O. Javier, Michael A. Whitfield, Alan H. Chung, Jordan B. Herley and Helen Chen that supplements the HCM Brochure. Please contact HCM if you have any questions about the contents of this supplement.**

## **ELAINE F. HAHN, PRESIDENT AND CIO**

### **Item 2 – Educational Background and Business Experience**

27 years as President and Chief Investment Officer (“CIO”) of HCM

1 year investment experience with Jurika & Voyles

2 years investment experience with Transamerica Corp

6 years as management consultant with Arthur D. Little

BS, Marketing - Oklahoma State University

MBA, Columbia Graduate School of Business

Year of Birth: 1946

As President and Chief Investment Officer, Ms. Hahn leads the portfolio management and client communication efforts at the firm. Ms. Hahn has over 30 years investment experience. Prior to founding Hahn Capital Management in 1988, Ms. Hahn was a Senior Investment Officer with Jurika & Voyles, an Oakland, CA-based value investment firm. From 1984 to 1987, Ms. Hahn was a Senior Research Analyst with Transamerica Corporation. Ms. Hahn's investment experience has been enhanced by her 6-year tenure from 1979-1984 as a Management Consultant with Arthur D. Little in Boston. In this capacity, Ms. Hahn was responsible for assisting major corporations in the valuation, acquisition and disposition of businesses in the energy sector, and for constructing the economic rationale for international energy project financing. Ms. Hahn has an MBA in Corporate Finance from Columbia University and a BS in Marketing from Oklahoma State University.

### **Item 3 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 4 – Other Business Activities**

Registered investment advisers are required to disclose all material facts regarding any other business activities that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### **Item 5 – Additional Compensation**

No information is applicable to this Item.

### **Item 6 – Supervision**

All HCM officers, managers and employees are governed by HCM's Code of Ethics and Compliance Policies and Procedures (Compliance Manual). All officers, managers and employees are supervised by Committee. HCM prides itself in conducting its business with the highest standards of professionalism and integrity.

## **JOHN D. SCHAEFFER**

### **DIRECTOR OF RESEARCH AND PORTFOLIO MANAGER**

#### **Item 2 – Educational Background and Business Experience**

12 years with Hahn Capital Management, LLC  
3 years investment experience with 3Bridge Capital  
3 years investment experience with Hanson Investment  
BA, Political Science, Duke University  
MBA, University of California – Berkeley  
Year of Birth 1965

Mr. Schaeffer directs the research effort of the investment team and is responsible for the generation and analysis of new stock ideas. He also assists with portfolio management and conducts the firm's performance measurement. Mr. Schaeffer joined HCM in 2003. Prior to joining HCM, Mr. Schaeffer was a Partner and Director of Equity Research at 3Bridge Capital, an investment management firm. Prior to 3Bridge Capital, Mr. Schaeffer held a senior analyst position at Hanson Investment Management, a wholly owned subsidiary of United Asset Management. Mr. Schaeffer has an MBA in Finance from the University of California - Berkeley and a BA in Political Science from Duke University.

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**PAUL O. JAVIER**

**DIRECTOR OF OPERATIONS AND CCO**

**Item 2 – Educational Background and Business Experience**

15 years with Hahn Capital Management, LLC  
2 years operations experience with Lehman Brothers  
3 years operations experience with Smith Barney  
BS, Business Administration - University of Santo Tomas – Manila, Philippines  
Year of Birth 1970

Mr. Javier is responsible for the firm's administrative and operations functions and serves as Chief Compliance Officer ("CCO"). Prior to joining the firm in 2000, Mr. Javier worked on both the buy-side and sell-side of the securities industry in operations and client servicing. Mr. Javier joined the firm after two years at Lehman Brothers. Prior to Lehman Brothers, Mr. Javier worked at Hotovec, Pomeranz & Company and at Salomon Smith Barney. Mr. Javier holds a BS in Business Administration from The University of Santo Tomas – Manila, Philippines.

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## **MICHAEL A. WHITFIELD, CFA**

### **SENIOR RESEARCH ANALYST**

#### **Item 2 – Educational Background and Business Experience**

10 years with Hahn Capital Management, LLC  
6 years as Equity Analyst with Wachovia Securities  
6 years as a Patent Examiner with the U.S. Patent and Trademark Office  
BS, Electrical Engineering, Virginia Polytechnic Institute and State University  
MBA, Southern Methodist University  
CFA Charter received in 2001  
Year of Birth 1966

Mr. Whitfield joined the firm as a Senior Research Analyst in May 2005, to assist in stock selection and the management of client portfolios. Mr. Whitfield formerly was employed as an Equity Analyst for six years with Wachovia Securities, specializing in the industrial technology and automation as well as the wireless equipment sectors. He also spent six years as a Patent Examiner with the U.S. Patent and Trademark Office in the fields of semiconductor memory architectures and processor addressing. Mr. Whitfield received his CFA Charter designation in 2001. Mr. Whitfield earned an MBA in Finance from Southern Methodist University and a BS in Electrical Engineering from Virginia Polytechnic Institute & State University (Virginia Tech).

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# **ALAN H. CHUNG, CFA**

## **RESEARCH ANALYST**

### **Item 2 – Educational Background and Business Experience**

Joined Hahn Capital Management, LLC – January 2014  
Summer of 2012 - research analyst experience with Causeway Capital Management  
3 years research associate experience with Dodge & Cox  
5 years consultant and portfolio analytics experience with Factset Research Systems  
BS, Business Administration - University of California – Berkeley  
MBA, The Wharton School of Business, University of Pennsylvania  
CFA Charter received in 2006  
Year of Birth 1981

Mr. Chung, CFA has joined Hahn Capital Management in the position of Equity Research Analyst. After completing a summer study exchange at INSEAD Asia, Alan received his M.B.A. degree from The Wharton School, University of Pennsylvania in August 2013. During business school, Alan interned at Causeway Capital Management, researching public companies for prospective investment. Before attending business school, Alan was a Research Associate at Dodge & Cox for over three years, assisting in research, selection, and monitoring of investments in public companies around the world. Prior to this period, he worked at FactSet Research Systems where he interacted with dozens of institutional investors in various capacities. Alan received his CFA Charter in 2006 and received his B.S. degree in Business Administration from the University of California, Berkeley in 2003.

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### **Item 5 – Additional Compensation**

No information is applicable to this Item.

### **Item 6 – Supervision**

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# **JORDAN B. HERLEY**

## **RESEARCH ANALYST**

### **Item 2 – Educational Background and Business Experience**

Joined Hahn Capital Management, LLC - January 2014

2 years marketing research and analysis experience with Ironbound USA

1 year Associate MBA intern, Business Development experience with The Gores Group

1 year strategy consultant experience with EcoATM

BA, Communication – University of California – Davis

MBA, Pepperdine University

CFA Level 1 Candidate

Year of Birth 1985

Mr. Herley has joined Hahn Capital Management in the position of Equity Research Analyst. In his prior position as a consultant with Ironbound USA, Jordan developed business and marketing strategies for this startup company. Prior to this position, Jordan received an MBA from Pepperdine University and completed Level 1 of the CFA program. While Jordan was in business school, he interned with The Gores Group, a \$4 billion private equity investment fund, where he analyzed both secular and industry-specific carve-out opportunities.

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### **Item 5 – Additional Compensation**

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## **HELEN CHEN, CFA**

### **RESEARCH ANALYST**

#### **Item 2 – Educational Background and Business Experience**

Joined Hahn Capital Management, LLC - January 2015  
2 years investment analyst with Quantum Capital  
Summer of 2011 – investment analyst experience with PIMCO  
4 years as Assistant Portfolio Manager and 1 year as Asset Allocation Analyst with The TCW Group, Inc.  
2 years as Investment Banking Analyst - Financial Restructuring with Houlihan Lokey  
BA, Economics – University of California – Los Angeles  
MBA, The Wharton School, University of Pennsylvania  
CFA Charter received in 2006  
Year of Birth 1981

Ms. Chen joined Hahn Capital Management, LLC as a Research Analyst in January 2015. She will be responsible for covering a number of the equity holdings in the portfolio and for the identification of new securities for the portfolio. Prior to joining HCM, Ms. Chen worked as an Equity Analyst at Quantum Capital Management covering consumer and healthcare services sectors. Ms. Chen also worked as an assistant portfolio manager at The TCW Group, and as an investment banking analyst in the financial restructuring group at Houlihan Lokey. Ms. Chen graduated from the University of California, Los Angeles and received her MBA from The Wharton School at the University of Pennsylvania. She received her CFA designation in 2006.

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#### **Item 4 – Other Business Activities**

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**HAHN CAPITAL MANAGEMENT, LLC**  
REGISTERED INVESTMENT ADVISORS

March 2, 2015

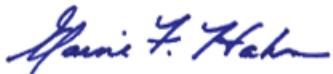
RE: Pledge of Privacy

Dear Client(s):

Your relationship with Hahn Capital Management, LLC (HCM) is of the highest level of importance to our firm. We understand the importance of your privacy and security of the information relating to you and your account. As a client, it is necessary to provide personal financial information to us to ensure that your account is managed in a manner consistent with your investment objectives and personal financial goals, however, we feel it is important for you to know that it is the policy of HCM that we do not disclose any non-public personal information about you to anyone while you are an active or inactive client, except as permitted or required by law. Any information we receive from you on items such as our investment advisory contracts, custodial account applications, information about your securities transactions with HCM or other advisory firms, and broker/dealers who may be providing financial services to you, will be kept strictly confidential.

HCM will adhere to the privacy policies and practices as described in this notice. In addition, employees with personal information relating to your account may not disclose your account information except for business use. Our firm maintains physical, electronic, and procedural safeguards to protect your non-public personal information.

Sincerely,



Elaine F. Hahn  
President/CIO

## **HAHN CAPITAL MANAGEMENT, LLC**

### **Proxy Voting Policy**

The Department of Labor has set out a number of requirements for proxy voting by ERISA (Employee Retirement Income Security Act of 1974, as amended) fiduciaries. Unless a trustee or other fiduciary of an ERISA covered plan expressly reserves voting rights, HCM is required to vote proxies. Moreover, HCM must make "a reasonable attempt" to ensure that all proxies have been received from custodial organizations and maintain records of all proxy votes. HCM ERISA clients must notify HCM in writing if they wish to retain proxy voting responsibility.

HCM will vote proxies in the best interests of the plan participants and beneficiaries. We will consider only those factors which affect the economic value of the plan's investments and will vote based solely on the ultimate economic interest of the plan.

HCM utilizes Proxy Edge as its electronic database to catalogue and track proxy decisions. In addition, subject to individual custodian practices, proxies will be electronically voted. Reports summarizing proxy decisions are kept on file, and will be available to clients if requested.

Proxies will generally be classified into two categories as indicated below:

Routine - For routine proxy proposals, in which shareholders are asked to vote only on management's nominations for the Board of Directors and its selection of an auditor, HCM will usually vote in favor of management's recommendations.

Non-Routine - For non-routine proxy proposals, which require shareholder votes on issues other than the election of the Board of Directors and selection of an auditor, HCM will vote to retain shareholder rights and maximize economic interest as follows:

HCM will always vote against proposals that:

1. Create more than one class of Directors;
2. Create staggered terms for Board members or non-annual election of Directors;
3. Eliminate cumulative voting;
4. Require a supermajority approval of the acquisition of the company by another entity;
5. Eliminate preemptive rights;
6. Grant compensation or severance packages to Managers or Directors, which HCM determines to be excessive relative comparable companies or industry standards.

HCM will usually vote against proposals that:

1. Require a "Fair Price" in the acquisition of the company;
2. Make the acquisition of the company more difficult;

3. Change the state of incorporation (e.g. from California to Delaware), if it is the stated intention of this proposal to implement changes in voting requirements, in the classification of directors, and/or other provisions which, by stated policies, are not considered to be in best long-range economic interests of the shareholders and which are typically not voted in favor of by management;
4. Amend a corporate charter to limit or eliminate liability for monetary damages of Director & Officers for violating the duty of care;
5. Obtain shareholder authorization for the repurchase of shares from one or more major shareholders;
6. Increase the number of authorized shares if it is the company's intention to utilize these shares to reduce the likelihood of a future takeover;
7. Create, or in effect create, a class of stock with superior voting power which over time may concentrate the voting power within a smaller group of shareholders;
8. Amend the current employee's stock option plan to increase the number of shares available to be awarded if the award goes to only one or two members of top management or will represent a potential increase in outstanding common shares of more than 5%. By policy, an increase in options of an amount greater than 5% of the outstanding common stock is deemed to be excessive unless the change includes a phase-out of a prior plan or is needed to provide incentive to a new management team.

HCM will usually vote for proposals that:

1. Allow large shareholders equal access to management's proxy to discuss management proposals, Director nominees, or shareholder nominees to the Board;
2. Establish confidential voting;
3. Restrict a company's ability to pay greenmail;
4. Repeal "Poison Pill" provisions or give shareholders the right to approve or repeal such provisions.

HCM will usually vote against shareholder proposals that are non-business related as such items typically do not directly benefit shareholders and are usually best left to management's discretion.

Proxy voting policy is periodically reviewed by the Proxy Voting committee.