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IARD # 110080

Hodges Capital Management Wrap Fee Brochure

Appendix 1 of Form ADV Part 2A

Hodges Private Client Program

September 30, 2022

This Wrap Fee Brochure (Brochure) provides information about the qualifications and business practices of Hodges Capital Management, Inc. (“HCM,” “us,” “we” or “our”). If you have any questions about the contents of this brochure, please contact us at the phone number or website listed 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.

HMC is a Registered Investment Adviser with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”). However, such registration does not imply a certain level of skill or training. Additional information about HMC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Wrap Brochure contains important information regarding aspects of our advisory business. We will provide you with a brochure before or at the time we enter into an advisory agreement with you, and an updated Brochure that includes a summary of material changes. within 120 days of the end of each fiscal year, at no cost. Alternatively, we may deliver a summary of material changes that includes an offer to provide a copy of the updated brochure free of charge and information on how our clients may obtain the brochure.

To obtain copies of our Brochure for HCM, please visit www.hodgesprivateclient.com or www.hodgescapital.com or call 1-888-878-4426.

We have made a number of minor edits and updated information on our assets under management, however, no material changes have been made to this Form ADV Part 2A, also known as the “Brochure” since our last delivery or posting of the Brochure on the SEC’s public disclosure website (IAPD) www.adviserinfo.sec.gov.

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Item 4: Services, Fees and Compensation

General Description of the Firm

HCM was formed as a corporation in Texas in May 1989. HCM is a wholly owned subsidiary of Hodges Capital Holdings, Inc. Chairman/CEO, Craig D. Hodges, owns approximately 23.7% equity stock. Hodges Capital Holdings' largest shareholder is the Hodges Capital Holdings Voting Trust at 46.9%; of which Craig Hodges, Camille Hodges Hays and Clark Hodges, trustees, each has approximately 1/3 voting control.

Advisory Services

HCM provides investment management to clients under the Hodges Private Client Wrap Fee Program as sponsor and portfolio manager.

The Hodges Private Client Portfolio (“HPC Program”) is a fully discretionary account that invests in a portfolio constructed and managed by HCM’s Portfolio Management team. The Investment Advisor Representative works with you to tailor the portfolio based on your particular investment objectives, guidelines, and restrictions. The HPC Program may hold equities, ETFs, cash, and cash equivalents.

HCM may function as a Portfolio Manager for one or more of the Hodges Family of Mutual Funds, and in some instances may function as the Portfolio Manager for a model portfolio as well as the Investment Advisor for a client account, depending on the type of client and type of investment selected.

HCM sponsors other wrap fee programs described under separate Wrap Brochures. Information about our other wrap fee programs can be obtained from our website www.hodgesprivateclient.com or www.hodgescapital.com, upon request from your HCM investment advisory registered representative, or at the SEC’s website at www.adviserinfo.sec.gov. You may also contact us at 1-888-878-4426 for more information.

Client Assets

As of July 31, 2022, HCM had \$ 769,092,395 in discretionary assets under management.

Fees and Compensation

HCM is compensated through an annualized asset-based fee (“advisory fee”), which is paid on a quarterly basis in advance. Clients invested in the HPC Program will have the fees deducted directly from their account. Fees are payable within thirty (30) days of the last day of the billing period. Fees are charged based on the number of days the account is under management during the period for any advisory agreement that comes into effect or is terminated mid-period.

Advisory fees are negotiable. Fees may differ based on a number of factors including, but not limited to, the:

- Amount of your assets,
- Number and size of related accounts
- Fluctuations that occur intra-quarter

The amounts and specific way fees are charged is memorialized in our contract with the Client. Portfolio managers may be paid a portion of the total advisory fee. The investment advisor recommending the wrap fee program to the client receives compensation because of the client's participation in the program. The amount of this compensation may be more than what the person would receive if the client participated in our other programs or paid separately for investment advice, brokerage, and other services. The investment advisor, therefore, may have a financial incentive to recommend the wrap fee program over other programs or services.

The HPC Program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the HPC Program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

HCM will wrap investment advice, portfolio management and trade execution for wrap fee portfolio management accounts and HCM will charge clients one advisory fee. Accounts participating in the HPC Program are not charged higher advisory fees based on trading activity. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, custodial fees, account fees, margin costs, charges imposed directly by an exchange traded fund, fees associated with "step out" transactions if the account uses different custodians or broker-dealers, 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. Custody of your accounts for both securities and funds will be maintained at Fidelity Investments, the designated custodian and clearing Firm.

ACKNOWLEDGEMENT OF FIDUCIARY STATUS:

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Item 5 - Account Requirements and Types of Clients

Account Requirements

HCM's account minimum is \$500,000 to establish a Hodges Private Client Portfolio account. HCM has accepted accounts that are smaller and reserves the right to do so in the future in its discretion.

Types of Clients

HCM customer base consists of individuals, institutions, trusts, estates, charitable organizations, corporations and pension and profit-sharing plans. We service these types of clients, but we may not have all these types as current clients.

Item 6 - Portfolio Manager Selection and Evaluation

Related Person Portfolio Management

HCM and its personnel serve as the portfolio managers for the HPC Program accounts. HCM does not currently make available outside portfolio managers as part of the HPC Program. This is a conflict of interest in that no outside adviser assesses HCM's management of the HPC Program. However, HCM addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the HPC Program.

We believe that our Firm and its Investment Advisory Agents have sufficient financial background and experience to provide the types of portfolio management services offered by the HPC Program. The Investment Advisory Representative's background information can be found in the Form ADV Part 2B Brochure Supplement provided. The Investment Advisory Representative's review performance information provided through the Custodian.

Performance-Based Fees and Side-by-Side Management

HCM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client), and or engage in side-by-side management.

Analysis Methods

HCM utilizes fundamental analysis to analyze securities. Fundamental analysis involves using real data to evaluate a security's value. We perform fundamental analysis on a securities value by looking at economic factors, such as interest rates and the overall state of the economy, information about companies, revenues, earnings, future growth, return on equity, profit margins and other data to determine underlying value and potential for future growth.

Sources of Information

Our security analysis information is based on a number of sources including financial newspapers, periodicals, commercially available investment services, company prepared information, general market and financial information, due diligence reviews, and specific investment analysis that our clients may request.

Investment Strategies

HCM collaborates with clients to create an investment strategy to meet their financial objectives. This includes:

- Discussion regarding the client's objectives
- Review of existing holdings
- Ongoing analysis of client accounts

- Advice on best direction for new investments
- Updates of specific changes within the market or to particular funds
- Periodic monitoring of recommended investments and yearly review

The flexibility of our strategies provides us with an opportunity to best manage investment risks in any investment market. HCM maintains a Research Department that evaluates the investment merits of securities and provides information to investment personnel, who may use the information in managing client accounts for which they have responsibility.

The Principle Risks of Investing include, but are not limited to:

GENERAL RISKS:

You may lose money by investing with us. When you sell your investments, they may be worth less than what you paid for them because the value of investments will fluctuate, reflecting day-to-day changes in market conditions, interest rates, and a number of other factors.

EQUITY RISK:

Your investments will be subjected to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of equity securities in your portfolio may fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors will contribute to the volatility and risk of your assets.

SMALL-TO-MEDIUM-CAPITALIZATION RISK:

We may invest your assets in small to medium sized companies. Investing in securities of smaller companies including micro-cap, small-cap, medium-cap and less seasoned companies may be speculative and volatile and involve greater risks than are customarily associated with larger companies. Small to mid-sized companies may be subject to greater market risk and have less trading liquidity than larger companies. They may also have limited product lines, markets, or financial resources. Shares of small to medium sized companies may have more volatile share prices. Furthermore, the securities of small to medium companies often have less market liquidity and their share prices can react with more volatility to changes in the general marketplace.

ALLOCATION RISK:

Our allocation of investments among different asset classes may have a more significant effect on your returns when one of these classes is performing more poorly than others.

MARKET RISK:

Stock and bond markets often trade in random price patterns, and prices can fall over sustained periods of time. The value of the investments we make for you will fluctuate as the financial markets. short- or long-term fluctuate. This could result in your account value(s) declining over short- or long-term periods of time.

FOCUSED AND CONCENTRATED PORTFOLIO RISKS:

We may invest your assets in a smaller number of securities than other broadly diversified investment strategies based on your specific investment objectives. Our approach is often referred to as “focused, concentrated, or non-diversified.” Accordingly, the money we manage for you may have more volatility and is often considered to have more risk than a strategy that invests in a greater number of securities, because changes in the value of a single security may have a more significant effect, either negative or positive, on your overall portfolio value. To the extent we invest your assets in fewer securities, or we investment in non-diversified funds that take a focused or concentrated approach, your assets are subject to greater risk of loss if any of those securities become permanently impaired.

SPECIAL SITUATION RISK:

We may invest your assets in special situations based on your specific investment objectives. Investments in special situations may involve greater risks when compared to other strategies due to a variety of factors. Expected changes may not occur, or transactions may take longer than originally anticipated, resulting in lower returns than contemplated at the time of investment. Additionally, failure to anticipate changes in the circumstances affecting these types of investments may result in permanent loss of capital, where we may be unable to recoup some or all of its investment.

LIQUIDITY RISK:

Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing us from selling out of these illiquid securities at an advantageous price.

FOREIGN SECURITIES RISK:

We can invest in foreign securities where warranted but will only trade U.S. dollar denominated securities. Foreign investments involve greater risk in comparison to domestic investments because foreign companies/securities may; have different auditing, accounting, and financial reporting standards; may not be subject to the same degree of regulation as U.S. companies and may have less publicly available information than U.S. companies; and are often denominated in a currency other than the U.S. dollar.

CURRENCY RISK:

Your investments may be subject to currency risk. Currency fluctuations and changes in the exchange rates between foreign currencies and the U.S. dollar could negatively affect the value of your investments in foreign securities.

INTEREST RATE RISK:

Your investments are subject to interest rate risk. Interest rate risk is the risk that the value of a security will decline because of a change in general interest rates. Investments subject to interest rate risk will usually decrease in value when interest rates rise. For example, fixed-income securities with long maturities typically experience a more pronounced change in value when interest rates change.

CREDIT RISK:

Your investments are subject to credit risk. An investments credit quality depends on its ability to pay interest on and repay its debt and other obligations.

PREPAYMENT RISK:

Your investments may be subject to prepayment risk. Prepayment risk occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a security can be difficult to predict and result in greater volatility.

INFLATION RISK:

This is the risk that the value of your assets or income will be less in the future as inflation decreases the value of your money. As inflation increases, the value (purchasing power) of your assets can decline.

FUTURES AND OPTIONS RISKS:

Futures and options may be more volatile than direct investments in the securities underlying the futures and options, may not correlate perfectly to the underlying securities, may involve additional costs, and may be illiquid. Futures and options also may involve the use of leverage which could result in losses greater than if futures or options had not been used. Futures and options are also subject to the risk that the other party to the transaction may default on its obligation.

MARGIN RISK:

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. Please Note: To the extent that a client authorizes the use of margin, and margin is thereafter employed in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

Voting Client Securities

HCM generally does not vote proxies on securities held in private client accounts and Sponsored HPC Program accounts. In those cases, HCM is not authorized or obligated to vote proxies for securities held in the account. The client reserves to itself the authority to vote all proxies and HCM is expressly precluded from voting proxies for securities held in the account. Proxies for securities held in the account are sent to the client directly from the custodian or will be handled as otherwise agreed between the client and the custodian.

Notwithstanding the general case, when requested by the client and expressly agreed to in the applicable investment advisory agreement, HCM will vote proxies on securities in those accounts. In those cases, HCM will vote proxies in accordance with its Proxy Voting Policies and Procedures. Upon request, clients may obtain information about how their securities were voted by contacting HCM at its office: Hodges Capital Management, 2905 Maple Ave., Dallas, TX 75201, telephone: (888) 878-4426.

Item 7 - Client Information Provided to Portfolio Managers

The Investment Advisor Representatives of HCM are responsible for gathering information from clients. Investment Advisor Representatives will interview and work with clients to gather information needed relative to their investment objectives and needs to provide management services through the HPC Program. Clients need to contact their Investment Advisor Representative whenever there are changes to their financial situation that will impact or materially influence the way HCM manages accounts. It is important for clients to reply and correspond in a timely manner with HCM to provide updated financial information so that HCM can make appropriate investment decisions.

Item 8 - Client Contact with Portfolio Manager

There are no restrictions placed on clients' ability to contact and consult with their HCM Investment Advisor Representative. It is the policy of HCM to provide an "open channel" of communication between HCM Investment Advisor Representatives and their clients. Clients are encouraged to contact their Investment Advisor Representative whenever they have questions about the management of their account.

Item 9 - Additional Information

Disciplinary

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.

Our Firm's affiliate, First Dallas Securities, Inc. ("[First Dallas Securities](#)"), and some of our Investment Advisory Representatives have reportable legal or disciplinary events that are disclosed on their registration history. Our Firm has disclosed the facts about legal or disciplinary events so that you can determine whether they are material to your evaluation of the integrity of our firm or its advisory agents. We value and endeavor to protect the confidence and trust you place in our Firm and its advisory agents.

A full report that reflects the professional background, business practices, and conduct of our Firm and its Investment Advisory Representatives is available through the Financial Industry Regulatory Authority's (FINRA) BrokerCheck system link at www.finra.org/brokercheck or you may request disclosable information under BrokerCheck by calling (800) 289-999, a toll-free hotline operated by FINRA.

Other Financial Industry Activities and Affiliations

In addition to providing advisory account services to clients of HCM as an Investment Adviser, our Firm or certain officers and Investment Adviser Representatives of our Firm are also engaged in other business activities, including:

- Securities brokerage activities as a Registered Representative of First Dallas Securities, an affiliated broker-dealer of HCM and member of FINRA & SIPC.
- Investment advisory activities as Investment Adviser Representatives of First Dallas Securities, an affiliate of HCM, which acts as Investment Adviser to the Hodges Mutual Funds and advisory accounts.

In connection with these other activities, such individuals may receive compensation in addition to the compensation they receive from providing advisory services to clients of our Firm, which may pose a conflict of interest. To mitigate this conflict, HCM performs regular suitability reviews of accounts to ensure a client account is invested in line with their stated goals and objectives.

Broker-Dealer/Investment Advisory Firm Affiliation

First Dallas Securities and HCM are both wholly owned subsidiaries of Hodges Capital Holdings. Accordingly, First Dallas Securities and HCM are deemed to be under common control and therefore related persons.

First Dallas Securities (Member FINRA/SIPC) is a registered broker-dealer as well as a Registered Investment Advisory Firm with the Securities and Exchange Commission. In its capacity as a Broker-Dealer, First Dallas Securities may execute trades for accounts advised by HCM outside of the HPC Program. Custody of the HPC Program accounts for both securities and funds will be maintained at Fidelity Investments, the designated custodian and clearing Firm.

Some Investment Adviser Representatives of HCM may also be advisory associates and/or Registered Representatives of First Dallas Securities and may earn commissions in that capacity. In addition, some clients of HCM may also have separate accounts with First Dallas Securities. First Dallas Securities charges commissions on accounts it handles.

Hodges Mutual Funds Information

HCM serves as the Investment Adviser to the Hodges Fund, the Hodges Small Cap Fund, the Hodges Blue Chip Equity Income Fund, and the Hodges Small Intrinsic Value Fund (“Hodges Mutual Funds” or “Funds”), each a Registered Investment Company. In addition, various HCM officers and employees are personally invested in the Funds. Accordingly, HCM is deemed to be a related person to the Hodges Mutual Funds. Under certain conditions, HCM may invest advisory clients’ assets in shares of the Hodges Mutual Funds but will not charge any advisory fees on those assets.

Code of Ethics

Hodges Capital Management’s Code of Ethics (“The Code”) sets certain standards of conduct for Hodges Capital Management and its personnel and addresses certain conflicts of interest posed by their personal trading. The Code acknowledges that, as an Investment Adviser, Hodges Capital Management is construed to have a fiduciary relationship with its advisory clients and, as such, owes its clients a duty of care and loyalty. In addition, the Code prohibits Hodges Capital Management employees from engaging in fraudulent conduct and requires employees to conduct activities in a manner that avoids, to the extent possible, actual or potential conflicts of interest with clients or that treats clients fairly in the event of conflicts. The Code also contains prohibitions against fraud, deceit and manipulation and specific provisions prohibiting conduct commonly known as “Insider Trading,” “Self-Dealing,” “Front-Running,” and “Scalping.”

The Code also restricts employee personal securities transactions by various means, such as requiring pre-clearance of personal security transactions. These restrictions apply to access persons, which is all employees of Hodges Capital Management, with the exception of clerical or ministerial staff. The Code also limits acceptance of gifts and entertainment by employees of the Hodges Capital Management or its affiliates and prohibits Investment Adviser Representatives from serving on the boards of public companies without prior approval by the Compliance Officer.

To monitor Hodges Capital Management’s compliance with the Code and applicable laws, each officer and employee is required to provide Hodges Capital Management with access to their securities account data feeds or statements, which is reviewed by Compliance. In addition, each officer and employee is required to sign a statement acknowledging that they are subject to the Code and certifying that they are in compliance with all the policies, procedures, provisions and requirements contained in the Code and will remain in compliance with them so long as they are required. Personnel in violation of any Hodges Capital Management Firm policy may be subject to disciplinary measures, including dismissal.

This is only a summary description of Hodges Capital Management Code of Ethics. The entire Code will be made available to you upon request.

Participation or Interest in Client Transactions and Personal Trading

HCM or its Investment Adviser Representatives may recommend to clients or effect transactions for client accounts in securities in which a director, officer, or employee of HCM or another related person of HCM may also be invested. This poses a conflict of interest to the extent that transactions in such securities on behalf of HCM and its Investment Adviser employees are constrained by fiduciary principles to act in their clients’ best interest when managing their accounts. HCM monitors activity in employee and client accounts to ensure that transactions are appropriate, and any such conflicts are resolved in a manner that is fair and equitable to clients.

Under certain circumstances, HCM or related persons to HCM including its officers, directors, and employees, are permitted to purchase and sell for their own account securities that may be the same as those

recommended to clients for their accounts. All transactions involving related persons are subject to the firm's Code of Ethics procedures which applies to firm accounts and personnel.

Reviews of accounts are undertaken via daily checks on the status of the Funds' portfolios and are assisted by the receipt of reports from the Funds' administrator concerning portfolio matters. HCM also monitors to determine whether the Funds' assets are being invested in accordance with applicable objectives, restrictions, guidelines, and policies and will utilize monthly and quarterly portfolio compliance reports generated internally and by the Funds' third-party administrator. HCM may also evaluate various other Fund parameters on a daily, monthly, quarterly, or annual basis, as it deems necessary in its discretion as part of its advisory function or as may be requested by the Trustees of the Trust. This may include evaluating such matters as the performance of the Funds, Funds expenses, Funds brokerage placement, commission rates, and other matters.

HCM reports orally or in writing to the Trustees of the Trust not less than quarterly. These reports normally cover any matters of import on the Hodges Mutual Funds pertaining to the investment of the Funds' assets and related matters. Annually, in conjunction with renewal of HCM's Investment Advisory Agreement with the Trust with respect to the Hodges Mutual Funds, more extensive information is provided to the Trustees about HCM and the Hodges Mutual Funds. The Trust also obtains reports on the Hodges Mutual Funds and its portfolios on a regular basis from other service providers.

Clients receive account statements not less than quarterly directly from the custodian of the accounts. Clients also receive performance reports at least annually from HCM.

Client Referrals and Other Compensation

Clients may be referred to HCM by other Registered Investment Advisers for Investment Advisory services either inside or outside of the sponsored HPC Program. HCM may pay a portion of its advisory fees to these Registered Investment Advisers who refer clients to HCM.

Financial Information

HCM does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. HCM is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, HCM has not been the subject of a bankruptcy petition at any time.

Item 10- Requirements for State-Registered Advisers

This item is not applicable to this brochure.