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| **Woodlands Asset Management, Inc.**  ("Company")  **COMPLIANCE PROCEDURE MANUAL**  (“Compliance Manual” or Written Supervisory Procedures/ “WSP”)  *Copy date:*  **Morris Monroe, Owner, President, CCO** |
| **THE PURPOSE OF THIS MANUAL IS TO MAKE CLEAR FOR ALL ASSOCIATED PERSONS THE COMPLIANCE PROCEDURES WHICH WILL GOVERN THE STANDARD OF CONDUCT OF ALL ASSOCIATED PERSONS OF THE COMPANY. FAILURE TO FOLLOW THESE COMPLIANCE PROCEDURES AND STANDARDS OF CONDUCT WILL BE CAUSE FOR DISMISSAL OR DISCIPLINARY ACTION OF THE OFFENDING ASSOCIATED PERSON OR PERSONS.**  **THIS MANUAL ALSO SETS FORTH THE DUTIES AND RESPONSIBILITIES OF THE SUPERVISORY PERSONNEL AS WELL AS THE STANDARDS OF PROCEDURE RELATING TO BOOKKEEPING AND OTHER STANDARDS REQUIRED BY LAWS AND REGULATIONS**. |

**Compliance Procedures Manual**

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# 1. INTRODUCTION

Company has developed this Compliance Manual to ensure its compliance with applicable securities laws and regulations when it engages in the business of providing investment management services to clients. The Compliance Manual sets forth Company's policies and procedures designed to (1) prevent violations from occurring, (2) detect violations that have occurred, and (3) correct promptly any violations that have occurred. In addition, the Compliance Manual designates supervisors and describes their supervisory responsibilities over the firm's personnel.

### 1.1 SEC Rule 206(4)-7

Company is a registered investment adviser and has investment management responsibility for various clients. Company requires full compliance with all laws and regulations governing the provision of advisory services to clients, including Rule 206(4)-7 under the Investment Advisers Act of 1940, which requires an SEC-registered investment adviser to maintain written policies and procedures designed to prevent violations of such laws and regulations. It is also the policy of the Company to conduct its business in a manner that meets the highest standards of commercial honor and just and equitable principles of trade. Inherent in all client relationships is the fundamental responsibility to deal fairly with clients.

### 1.2 Chief Compliance Officer

Morris Monroe is the Company’s designated Chief Compliance Officer. Company depends on its employees and officer to provide high quality investment advisory services to clients, in a manner that is ethical, fair and equitable to all concerned. Every “Associated Person” (any agents, employees, or independent contractors who are affiliated with the Company) is required to acknowledge reading and adherence to the Compliance Manual. A current copy of the Compliance Manual is always readily available on Company’s website. Company will maintain a copy of the acknowledgement receipt in each Associated Person’s personnel file. Failure to comply fully with the policies and procedures contained in the Compliance Manual and all applicable securities laws may jeopardize the individual, his or her supervisors, and the Company itself.

### 1.3 Policies and Procedures Review

Company will review, no less frequently than annually, the adequacy and effectiveness of the policies and procedures contained in this Compliance Manual. The Compliance Manual will be periodically revised and supplemented. Each page of this Compliance Manual remains in effect until superseded by a revised version. When changes are made, the Compliance Manual will be updated electronically. Associated Persons are encouraged to contact Morris Monroe or Compliance when he or she suspects or detects violations of the Compliance Manual. This Compliance Manual belongs to Company and may not be given to any person, other than a Company Associated Person, without the permission of the Chief Compliance Officer.

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# 2. SUPERVISORY SYSTEM. PROCEDURES AND CONTROLS

## **2.1 Introduction**

Company has established a supervisory system, procedures and controls reasonably designed to comply with regulators' rules.

***Supervisory System:*** The internal system to oversee business includes the designation of supervisors and allocation of responsibilities; assignment of Associated Persons to appropriate supervisors; identification of areas of business and rules that govern those businesses; and development of procedures.

***Supervisory Procedures:*** Procedures in this manual (and in other policies or manuals, if referenced in specific chapters) include:

* Compliance procedures for Associated Persons and others that explain rule requirements and prohibitions as well as internal policies when conducting investment advisory and other activities; and,
* Supervisory procedures that explain how supervisors are to conduct their ongoing responsibilities. Some supervisory procedures are explained in "matrixes" that appear throughout the Compliance Manual.

***Supervisory Controls:*** Controls refer to testing and evaluation of systems and procedures to measure and maintain their effectiveness. Internal controls typically involve sampling of functions to test effectiveness and identify shortcomings, gaps, or other inefficiencies in supervisory systems and procedures. Internal controls also involve the ongoing reassessment of these functions to determine whether they are serving their intended purpose.

## **2.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Morris Monroe or designated supervisor |
| **Statutes** | * Investment Advisors Act of 1940 – Rule 206(4)-7 – *Compliance Program* |
| **Frequency** | * Transactions daily * Ongoing new client review * Ongoing email reviews, correspondence reviews * Risk Assessments - as required * Quarterly trading reports |
| **Actions** | * How supervision is to be conducted (*i.e.,* review a report, read correspondence, interview RR or customer, *etc.*). |
| **Records** | * Blotters * WinOps client records * Physical client files * Testing records * Internal reviews and reports * Annual CCO certifications |

## **2.3 Verification and Testing**

Company periodically conducts reviews to test and verify its supervisory system and controls.

Testing and verification generally include:

* Identifying areas to be reviewed at least annually;
* Developing reviews and a schedule for conducting the reviews;
* Assigning responsibility for conducting reviews;
* Preparing reports of reviews;
* Providing reports to management, and other appropriate personnel for potential corrective action; and
* Following up regarding deficiencies in subsequent reviews.

Testing and verification is the responsibility of:

* Compliance - compliance systems and procedures
* Internal Audit - financial and operations systems and procedures

Records of testing are maintained by the department responsible for conducting testing and include:

* Areas to be reviewed;
* Dates of reviews;
* Reports of findings including a record of distribution of the report and responses from the supervisor of the area examined; and
* Follow-up or corrective action taken, if any.

## **2.4 Written Compliance and Supervisory Procedures** (“WSP”)

Compliance is responsible for maintaining and updating Company’s compliance and supervisory procedures which are included in the WSP. A review of the Company's written supervisory practices and procedures as well as the business activities and supervisory system will be conducted no less than annually, but sooner if mandated by new regulatory rules and guidelines or updates. Any necessary changes will be recorded by the copy date of the WSP and marked in red. In addition, the Company will conduct annual internal examinations as part of its review.

The WSP will be distributed at least on an annual basis at the annual compliance meeting or sooner if deemed necessary.

This manual is updated and policies distributed as follows:

* New and amended rules and releases from regulators are reviewed on an ongoing basis and changes considered for the WSP and incorporated where necessary. Changes are considered at least quarterly.
* Changes are incorporated in the WSP and marked in red.
* Prior versions of the manual are archived for books and records purposes.
* When policy and procedure changes affect personnel, Compliance will distribute new or revised policies as follows:
  + In written form, where practical, or
  + By email, or
  + Made available on Company’s website.
* Compliance provides access to manuals to new employees and obtains receipts that are maintained in employee or other compliance files.
* If a new policy manual is distributed, receipts will be requested and maintained in employee or compliance files.
* Policies may be made available to employees in electronic format.

## **2.5** **Annual Certification of Compliance and Supervisory Processes**

**Company will adhere to the following:**

**(a) Designation of Chief Compliance Officer (CCO). Morris Monroe is designated as the Company’s CCO as identified to the SEC in** Company’s Form ADV, and who is competent and knowledgeable about the Investment Advisors Act of 1940 and the rules thereunder and other applicable laws. In addition, he has the power with full responsibility and authority to develop and enforce the compliance policies and procedures of the Company. Such CCO shall have specific duties as described in the WSP and shall:

* Monitor other Company employees who have specific compliance responsibilities;
* Ensure that all Company Associated Persons have access to a current copy of the Compliance Manual;
* Ensure proper licensing of all personnel;
* Ensure a periodic review of Company’s various activities is conducted and verify that Company is in compliance with applicable regulations and document said review.
* When appropriate, recommend amendments to the WSP in light of regulatory and industry developments and changes in Company’s business;
* Ensure reports are prepared about Company’s compliance program, including the Annual Review and Certification; and
* Periodically meet with Company staff to discuss the effectiveness of Company’s compliance programs.

**(b) Annual Certification Requirement. Company will** have its CCO, or equivalent officer(s), certify annually (no later than on the anniversary date of the previous year’s certification)., as set forth in paragraph (c), that the Company has in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures reasonably designed to achieve compliance with applicable SEC rules and laws and regulations, and that the CCO has conducted one or more meetings with Compliance in the preceding 12 months to discuss such processes.

**(c)** **Certification.** The certification shall state the following:

The undersigned is the chief executive officer(s) or CCO of Company. The undersigned make(s) the following certification:

1. The Company has in place processes to:

(a) Establish, maintain and review policies and procedures reasonably designed to achieve compliance with applicable federal and state securities laws and regulations;

(b) Modify such policies and procedures as business, regulatory and legislative changes and events dictate; and

(c) Test the effectiveness of such policies and procedures on a periodic basis, the timing and extent of which is reasonably designed to ensure continuing compliance with such state and federal securities laws and regulations.

2. The undersigned chief executive officer(s) (or equivalent officer(s)) has/have conducted one or more meetings with Compliance in the preceding 12 months.

3. The Company's processes, with respect to paragraph 1 above, are evidenced in a report reviewed by the chief executive officer, or equivalent officer, Compliance, and such other officers as the Company may deem necessary to make this certification. Company does not have a board of directors or audit committee that would need to review such a report.

4. The undersigned chief executive officer or equivalent officer has/have consulted with Compliance and other officers as applicable (referenced in paragraph 3 above) and such other employees, outside consultants, lawyers and accountants, to the extent deemed appropriate, in order to attest to the statements made in this certification.

## **2.6 Internal Examinations**

The Company shall conduct an internal examination of its procedures and records no less than annually by Morris Monroe and/or his designee.

Review of the Company shall include but not be limited to the following areas:

1. Recordkeeping

* + 1. FORM ADV filings/Brochure Rule
    2. Books and records

c. Advertising

d. Investment Agreement

2. Trading Operations

a. Allocation Practices

b. Blotters

c. Reporting to Clients

3. General Supervision.

a. Supervision of Accounts

* 1. Supervision of Operations
  2. Regulation S-P compliance
  3. AML

4. Risk Assessment and Conflicts of Interest.

a. Maintain current risk assessment

* 1. Review any new conflicts of interest
  2. Any adjustments to Form ADV if applicable

## **2.7 Regulatory Examinations**

When the SEC, state securities commission, or other regulatory agency contacts or meets an employee of the Company, the following procedures will be followed:

1. The employee who is the recipient of such contact must, as soon as possible, inform the Chief Compliance Officer about the matter;
2. The Chief Compliance Officer shall arrange for Company to make available all documents requested by the examiner, provided such examiner has the legal right to examine such documents;
3. Upon the examiner's arrival, the Chief Compliance Officer, or his designee, should ask the official for: (i) proper identification, (ii) his or her authority to conduct the examination, and (iii) the purpose of the visit;
4. The Chief Compliance Officer and any other Company personnel chosen to assist the regulatory inspection team should be pleasant and cooperative;
5. Information or copies of documents should be provided to the official only if the release of such information or documents has been cleared by the Chief Compliance Officer;
6. The Chief Compliance Officer will ensure that only those documents specifically requested by the regulatory inspection team are released to the regulatory inspection team;
7. A representative of Company should accompany the regulatory inspection team at all times when the team is in Company's office(s), except in a room or rooms designated by the Chief Compliance Officer as places where the team can perform their inspection;
8. Without prior clearance from the Chief Compliance Officer, no Company employee may have substantive conversations with any member of the regulatory inspection team;
9. Upon completion of the examination, the Chief Compliance Officer will ask a member of the SEC's inspection team the date when the examination will be completed. (Under the Dodd-Frank Act, the SEC has 180 days from the date of its document request to complete its examination of a registered investment adviser);
10. The recipient of any letter or other correspondence from the inspecting regulatory authority must promptly forward such correspondence to the Chief Compliance Officer;
11. The Chief Compliance Officer in coordination with the inside or outside legal counsel of Company will review the correspondence from the inspecting regulatory authority and respond, if so required, in the appropriate manner prior to any deadline imposed by the inspecting authority; and
12. If deficiencies or weaknesses are identified by the inspecting authority, Company will take steps to address and eliminate such deficiencies and weaknesses and memorialize the actions taken in a memorandum.

## **2.8 Risk Assessment Review**

Company will conduct at least annually a review of existing and potential risks to determine if any changes or additions need to be made. A record of Risk Assessments is maintained in Company records and any new additions or changes will be noted with the date. The Risk Assessment Report is made apart of the annual certification review between the CCO and Compliance.

Company will assess the compliance risks presented by its operations, including the following areas of its business:

* Investment Management;
* Trading (including best execution, cross trading and trade allocation);
* Research if any;
* Back Office or Account Administration;
* Marketing (including performance composite calculation if applicable);
* Insider Trading;
* Clients (including verification of their identity, complaints, communications, and meeting objectives);
* Custody;
* Fees (including accuracy of fee calculations);
* Disclosure (including accuracy of Form ADV)
* Information and Computer Systems (including maintenance of privacy of client information);
* Relationship with Third Party Vendors (e.g., broker-dealers) and Financial Product Providers (e.g., mutual funds and their distributors); and
* Firm personnel
* Conflicts of Interest

When reviewing a particular risk, Company will consider the following factors:

* How susceptible the activity is to conflicts of interest;
* Any changes in Company's business;
* Any new or revised SEC or other regulations applicable to the risk being assessed;
* Testing performed related to the risk regarding the present procedures designed to mitigate the risk;
* Any controls in place to mitigate the risk, and, if so, the effectiveness of the controls;
* Whether the CCO, the SEC or other inspecting regulatory body has found deficiencies in that particular area; and
* Whether the activity is a new area of business, including a new product line.

After performing the above analysis, Company may consider any new procedures or modifications to existing procedures or training to address the activity presenting the risk or heightened risk.

### 2.8.1. Conflicts of Interest

Company shall attempt to identify conflicts of interest and other compliance factors creating risk exposure for Company and its clients in light of Company's particular operations. Possible conflicts of interest may exist between Company's interest, employees' interests, service providers' interests, and advisory clients' interests. Company shall consider new policies and procedures to address these conflicts. In addition, Company will disclose material conflicts of interest in Part 2A beginning March 2011 of its Form ADV.

In addition, Company shall consider any and all of the following actions designed to eliminate, mitigate or otherwise address conflicts:

* **Avoidance**: if the general measures Company can take are insufficient to adequately address a specific conflict of interest, then it will consider avoiding the conflict, refraining from providing the affected business activity that causes the conflict or refraining from acting on behalf of a client to avoid the conflict;
* **Mitigation**: work with the appropriate business areas to ensure that reasonable compliance and/or business solutions are in place to eliminate or decrease the conflict;
* **Disclosure**: assess disclosure requirements, including how and where to make such disclosure (Form ADV, advisory agreement or direct client mailing) and when to make such disclosure (i.e., in advance or after the event);
* **Monitor**: periodically review the status of existing conflicts; and
* **Review**: at least annually Company will review its inventory of conflicts to ensure that controls, policies and disclosures are current and consistent with business activities.

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# 3. SUPERVISORY PERSONNEL

## **3.1 Introduction**

Company will determine that any applicable individual is qualified for a supervisory position. In addition, any Chief Compliance Officer (CCO) will be designated on Schedule A of Form ADV, is a principal, will have compliance responsibilities defined and documented, meets the requirements regarding the defined area of primary compliance responsibility, and has the responsibilities and expertise enabling them to fulfill their obligations.

## **3.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * CCO * Hiring Supervisor - confirm qualifications * Compliance - determine registration requirements |
| **Statutes** | * Form ADV under the Investment Advisors Act of 1940 – *Disclosure* * Rule 204 – Books and Records |
| **Frequency** | * As required |
| **Actions** | * Hiring supervisor:   + Evaluate candidate's qualifications including experience and knowledge   + Arrange for training, if necessary * Compliance:   + Confirm individual has required registration qualifications and, if not, arrange for the individual to complete the required exams   + Notify the hiring supervisor of added qualifications required and remind him/her the individual may not act as a supervisor until necessary registrations are obtained (unless a regulator allows for a grace period to act as a supervisor before registration is completed)   + Provide supervisory policies/procedures to the candidate if not already available to him/her   + Form ADV – Schedule A: file any CCO or other designations |
| **Records** | * Background and registration information in candidate's file * Record of exams as qualification * Record of providing supervisory policies/procedures * Form ADV, Schedule A |

## **3.3 Designated Supervisors and Responsibilities**

Below, the following person(s) is (are) hereby designated in writing as a supervisor(s) with their respective areas of responsibility designated. These supervisory individuals have been selected based on qualifications, i.e. specifically, licensing regulations; experience; background; and character. It is the Company's position that the proper selection and installation of supervisory personnel will be a key factor in conducting the Company's business on a high moral and ethical plane. All Associated Persons of the Company shall be assigned to a designated supervisor as noted on **Exhibit A** attached hereto. “Associated Person” shall refer to any agents, employees who are affiliated with the Company.

Full authority to enforce an Associated Person's compliance with the standards of conduct, both moral and ethical, will be given to the designated supervisor. Periodic inspections and interviews will be conducted to ensure that each designated person is complying with the standards of this area.

A given compliance officer will not be deemed a supervisor over a particular business line or group of employees solely by virtue of his or her position. By providing advice concerning compliance or legal issues to a business line employee, a compliance officer will not automatically be deemed to be a supervisor of such person. Determining whether a particular employee is a supervisor depends on whether, under the facts and circumstances, that employee has the requisite degree of responsibility, ability or authority to affect the conduct of other employees of Company.

For all regulatory purposes, Company's main office as listed on its Form ADV is under collective supervision of Morris Monroe as set out below and herein.

**Supervisor: Area of Responsibility: Qualifications:**

Morris Monroe Series 7,24,28,53

President, CCO/CEO

AML C.O., ISO

Strategic Planning

Business Development

Retail Activities

Company Policies

Discretionary Account Activities

Advertising Activities

Supervision of Associated Persons

Acceptance of Customer Accounts

Review and Endorsement of Customer Orders

Compliance Officer

Record Maintenance and Retention

Continuing Education Program

Brokerage Practices and Execution

Financial and Operational Activities

Form ADV and Brochure Rule

Advisory Services offered

Portfolio Management

Compensation and Client Fees

Client Agreement and Contracts

Anti-Money Laundering Compliance

Information Security

Under Morris Monroe: Home Office

Compliance Department and Designees – Laura Hendricks, Compliance Officer

Review and Approve New Accounts, Trading, Correspondence Company Books and Records, Records Maintenance and Retention

Regulatory Filings

Policies and Procedures

Continuing Education

Company Agreements authorized signer

Other Compliance Department Designees – Melanie Null, Ashlyn Reece

Back office personnel designees – Gloria Sedita, Laura Hendricks, Mitchell Lyon, Ashlyn Reece, Melanie Null

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Chris Moss Series 7,24

Supervisor, Agent

Retail Business Activities

Supervision of Associated Persons

Acceptance of Customer Accounts

Review and Endorsement of Customer Orders, Accounts, and Investment Agreement

A copy of the WSP, or the relevant portions thereof, including amendments, shall be kept and accessible through Company’s website.

Reasonable efforts will be used to ensure that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities.

## **3.4 Branch Offices**

Company currently has no branch offices; only Agents in the home office and Lufkin (who solicit accounts to Company).

# 4. SUPERVISION OF ASSOCIATED PERSONS

## **4.1 Introduction**

All Associated Persons shall be assigned to a qualified supervisor of the Company (Exhibit A). For purposes of this section and other references, *Associated Person* shall refer to any officer, director, employee, registered agent, and office personnel involved with Company operations. Further, all Associated Persons shall be responsible for familiarizing themselves with the Company's written supervisory procedures. All registered agents must complete the Company's annual Regulatory Checklist.

## **4.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * CCO, Compliance Department * Designated Supervisor |
| **Frequency** | * As required * Quarterly review of personal trades * Annual Regulatory Checklist * Annual review of procedures |
| **Actions** | * CRD filings * Immediately notify Compliance of terminating registered employees * Immediately notify Compliance of terminating non-registered employees where termination was caused by theft or fraud * Secure computers and computer files * Retrieve office keys, company credit cards, *etc.* from terminated employee * Compliance will file Form U5 for terminating agents * Compliance will provide the terminated agents with a copy of the RR's Form U5 within 30 days of termination * Review of personal trades * Review of Access Persons Holdings Reports * Regulatory Checklist administered and reviewed * Internal reviews |
| **Records** | * Form U-4 * Form U5 * Employee files and records * Annual Regulatory Checklist * Access Persons Holding Reports * Personal trades and Outside Securities Account statements |

## **4.3 Certification of New Employees**

Prior to employment, an investigation of all potential employees’ good character, business repute, qualifications, any statutory disqualifications, and experience will be checked by Morris Monroe, or his designee, using one (l) or more of the following:

a. Telephone call to previous employer;

b. Letter to previous employer;

c. Personal contact with previous employer;

d. Review of Form U5 filings made by previous employer(s); or

e. Review of Pre-Hire Report obtained through the CRD.

f. Review a job applicant's Commodity Futures Trading Commission (CFTC) Form 8-T if applicable (CFTC’s equivalent of a Form U-5 for termination).

g. Review of public records for information regarding criminal and bankruptcy records, civil litigation, judgements and liens.

h. Upon the offering and acceptance of a position with Company (or WSC), the new employee must confirm his or her answers on his or her Form U-4 including confirming disciplinary history.

This investigation includes registered and non-registered personnel. After employment, a review of fingerprint card reports will be conducted as well as part of the Company’s review of an employee’s background.

All letters, notes on conversation, etc., will be kept as a part of the employee's permanent file. The Company shall use its best efforts to obtain copies of each person’s Form U-5 filing as filed by that person's previous employer through the FINRA/CRD or the individual applicant. Notwithstanding the requirement to obtain copies of the most recent Form U-5 filing, the Company recognizes the fact that due to electronic filings of Form U-5s with FINRA/CRD and or closure of the previous employer, a Form U-5 may not be available on every individual.

All new Associated Persons to become registered with the Company shall receive an application package consisting of the following materials:

1. Form U4;
2. U-4 Disclosure Statement (regarding the predispute arbitration clause);
3. Two (2) fingerprint cards;
4. Current copy of Compliance Manual (may be via electronic copy accessible on Company website);
5. Solicitor/Agent Agreement, if applicable
6. Holdings Report to list any holdings as an Access Person

Obtaining fingerprint cards for submission to the FBI will be conducted at local law enforcement agencies that are trained to verify identity and the authenticity of the cards being presented. The Company does not handle fingerprint card processing in-house. A copy of fingerprint cards will be maintained in the Company records.

All newly registered agents or Associated Persons of the Company shall be assigned to a Supervisor who will be responsible for routine training. Further all newly registered agents or Associated Persons will be required to meet with Morris Monroe or his designee for a personal interview and compliance briefing prior to being allowed to solicit securities transactions or accounts on behalf of the Company and will be evidenced by the Associated Person’s signature and date on WSP Acknowledgement form or other new employment forms.

## **4.4. Licensing**

The Chief Compliance Officer or his designee is responsible for filing all necessary registration and licensing materials with federal and state regulatory agencies in connection with the registration of each Adviser Representative and will maintain an up-to-date Investment Adviser Representative list showing the status of each registration which may be through FINRA’s CRD. When registering an Adviser Representative, the Chief Compliance Officer or his designee will take the following steps:

1. Register an employee as an investment adviser representative after all of the employee's associations with other investment advisers have been investigated and/or terminated;
2. File the U-4 registration form for an employee after determining the applicable state requires the employee to pass an examination (e.g., Series 65 (Uniform Investment Adviser) Exam, Series 66 (Uniform Combined State Law) or Series 7 (General Securities Representative) Exam), waives the examination if the employee has earned certain particular designations (e.g., CFP, CFC, PFS, CFA or CIC), or waives the examination requirement because of experience or education;
3. Verify that the employee has passed any required examinations or has the required designation;
4. Review the registration requirements of the applicable state(s) (including whether the state is part of the IARD system) and make the necessary filings;
5. Inform the Adviser Representative applicant that he or she may not provide investment advice to any client until he or she has received notice from the Chief Compliance Officer, or his designee, that he or she has been granted an investment adviser representative license from the appropriate state(s) (unless such license is not necessary); and
6. Arrange for Company to make annual or more frequent payments, as required, to each such state to maintain the registration of each of its Adviser Representatives.

The review of a supervisor’s qualifications shall be performed in accordance with the preceding procedures, by reviewing the above referenced records, and if applicable by evaluating the person’s performance while associated with the Company. Said review and approval shall be evidenced by the signing of the Form U4. If the proposed supervisor is already an employee of the Company then Morris Monroe or Laura Hendricks shall sign the Form U4, exam request, or memo to file, whichever is applicable.

It shall be the responsibility of Morris Monroe, or his designee, to ensure that the appropriate employee files are established and maintained for each new Associated Person and that all necessary documents are filed on behalf of that Associated Person through the FINRA CRD or IARD. Amendments and other documents available in the CRD/IARD systems that are not required for paper files do not have to be maintained in the Company files.

### 4.4.1 Adviser Representative Registration Amendments

The Company and each licensed Adviser Representative have a continuing obligation to promptly update a Form U-4 or any other form on file with a regulatory agency. This may necessitate the filing of amendments to such forms. Each Adviser Representative must notify Company of any changes that require an amendment to Form U-4, including for example, a change of home address, a married name (versus a maiden name), and any disciplinary matter. The Chief Compliance Officer or designee shall arrange for the filing of the appropriate amendments to Form U-4 and any other registration documents in response to change of status of Adviser Representatives.

### 4.4.2 Adviser Representative Registration Renewals

Since investment adviser representative licenses typically expire at the end of some period (e.g., December 31st), the Company will take steps to renew each investment adviser representative license each year. Most states require the renewal license to be filed shortly before the expiration date (e.g. November or December if the expiration period is December 31st). Renewal filings typically must be accompanied by a fee or a fee will be deducted electronically. Compliance will check each applicable state's renewal procedures, including whether the state is part of the IARD system. The Chief Compliance Officer or designee shall process any terminations upon notification from either the investment advisor representative or other Company persons.

### 4.4.3 Form U-5s

Company shall file a Form U-5 on the IARD system in connection with an Adviser Representative registration upon notification that such Adviser Representative:

* No longer meets the definition of "investment adviser representative;" or
* Terminated his or her employment with Company.

The Form U-5 will be filed no later than 30 days after the employee's change of status or termination. Company shall:

1. Promptly file the Form U-5 with the CRD or IARD;
2. Forward a copy to the Associated Person within 10 days of filing;
3. Place a copy of the form in said Associated Person’s file.
4. Pull active file to Terminated Associated Person’s file.
5. Maintain the file for three years after termination.

### 4.4.4 Employee Registrations or Licenses

The types of activities and securities products offered by Company will dictate the registration required. The potential applicable licenses are:

* **Series 3 - National Commodity Futures Exam.** This exam is required of individuals who recommend, accept, enter or execute orders in commodity futures products.
* **Series 4 - Registered Options Principal.** This registration is required of the firm employees who are responsible for the overall supervision of WAM's option activities.
* **Series 6 - Investment Company Limited Representative.** This registration allows WAM employees to offer mutual funds (open-end investment companies, closed-end investment companies and unit investment trusts).
* **Series 7 - General Securities Representative.** This registration allows WAM employees to offer all securities products, including mutual funds, common stock, notes, hedge fund interests, private equity and venture capital limited partnership interests.
* **Series 22 - Dual Participation Program Limited Representative.** This registration allows WAM employees to offer interest in venture capital, hedge fund and private equity limited partnerships.
* **Series 24 - General Representative.** This registration is required of WAM employees who are responsible for the management or supervision of WAM's brokerage business, including supervising registered representatives. WAM would also have to register as a broker-dealer with the SEC and become a member of FINRA and possibly certain exchanges.
* **Series 27 - Financial and Operational Principal.** This registration is required of WAM employees who are responsible for the accuracy and final approval of individuals who are involved in the administration and maintenance of WAM's brokerage back office operations.
* **Series 53 - Municipal Securities Principal Exam.** This exam and registration allows WAM employees to be directly engaged in the management and supervision of the underwriting, trading and sales of municipal securities.
* **Series 55 - Equity Trader Exam.** This exam and registration allows WAM employees to trade OTC equity and convertible debt securities on a principal or agency basis.
* **Series 63 - Uniform Securities Agent State Law.** A state may require a representative of a broker-dealer to register in that state.
* **Series 65 - Investment Advisers Law Exam.** Most states require an individual who provides investment advice or solicits advisory services to register with that state as an Adviser Representative and take the Series 65 Investment Advisers Exam. This exam is administered by FINRA and tests the applicant's knowledge of the Investment Advisers Act of 1940 and the Uniform Securities Act (Blue Sky laws).
* **Series 66 - Uniform Combined State Exam.** This exam is a combination of the Series 63 and 65.

If examinations are requested for the Associated Person, an electronic request shall be made. The CRD reflects outstanding exam requests and/or exam approval's expiration date with FINRA. Should an Associated Person fail a qualification examination, the Company must ensure compliance with FINRA's examination retake policy.

### 4.4.5 Books and Records

Company shall maintain all registration records for each Adviser Representative, including copies of Forms U-4 and U-5 for a period of three years after termination (or may be available/maintained on FINRA CRD website).

## **4.5 Outside Business Activities and Private Securities Transactions**

No Associated Person shall accept compensation from any other person, or entity, as a result of any business activity, other than as a result of a passive investment, outside the scope of his/her relationship with the Company or WSC unless he/she has provided prompt written notice to the Company prior to entering into such compensatory relationship, and the Company has approved such relationship in writing. Further, no Associated Person of the Company shall participate in a private securities transaction without first obtaining the prior written approval of Morris Monroe or Laura Hendricks.

## **4.6 Investment Advisory Activities of Associated Persons**

The Company will not hire associated persons who are independently RIA registered. However, in the event the Company decides to hire Associated Persons in the future who are independently registered as investment advisers, specific supervisory policies and review procedures will immediately be put into place.

Associated Persons of the Company are not allowed to execute trades for customers outside of Company or Woodlands Securities Corporation.

Personnel files for RR/RIA Associated Persons will be maintained to ensure the maintenance of records.

It is the Company’s position not to hire any Associated Person who has been statutorily disqualified.

## **4.7 Nonpublic Information and Code of Ethics**

All Associated Persons must adhere to and acknowledge adherence to the attached Nonpublic Information and Code of Ethics policies and procedures of the Company.

## **4.8 Gifts/Entertainment and Gratuities**

No Associated Person shall directly or indirectly, give or permit to be given anything of value, including entertainment and gratuities, in excess of **$100** per individual per year where such payment is in relation to the business of the recipient’s employer. Personal gifts such as a wedding gift or a congratulatory gift for the birth of a child are excluded provided that these gifts are not “in relation to the business of the employer of the recipient.” Promotional items of nominal value that display the firm’s logo (e.g., umbrellas, tote bags or shirts) are also excluded provided that its value is substantially below the $100 limit. Gifts valued in amounts above or near $100 would not be considered nominal. The Company must aggregate all gifts given by the Company and each Associated Person of the Company to a particular recipient over the course of a calendar year. An employee may not give or receive gifts, favors or other things of value to or from a client with the intent of influencing the decision-making of the client or making the client feel beholden to the employee or the Company especially if such client is acting as a fiduciary of or with power of attorney for another person.

If an employee believes that it would be appropriate to accept or receive a gift worth over $100 to or from a business contact, he or she must submit a written request to, and obtain written approval from, Morris Monroe or Compliance containing the following:

* + Name of the giver;
  + Name of the intended recipient;
  + Description of the gift;
  + Gift's monetary value;
  + Nature of business relationship; and
  + Reason the gift is being given.

An employee may accept entertainment from a business contact, provided the entertainment is:

* Neither so frequent nor so extensive and lavish as to raise any question of impropriety;
* Of a character such that both male and female guests would be comfortable attending; and
* Legal and not offensive.

An employee may not accept a gift or entertainment from an unaffiliated broker-dealer that executes client trades unless Company grants approval for acceptance of such gift or entertainment (as evidenced by entry into log maintained by Compliance) and determines that such practices are consistent with Company’s fiduciary duties to clients. Such practices will be disclosed to clients. Company’s Form ADV Part 2A shall suffice for such disclosure.

Gifts and entertainment offered or received in connection with a bona fide personal relationship are excluded from this policy. Gifts that have Company's logo on it provided that the gift does not have a value that exceeds $50 are also excluded. Gifts containing Company's logo will not count towards the $100 annual limit for giving gifts.

All gifts applicable to the foregoing must be (i) reported to the Company and reviewed by Morris Monroe or Laura Hendricks and maintained in the Company’s records. Items of deminimus value or nominal promotional or commemorative items are not subject to record-keeping requirements.

## **4.9 Charitable Contributions**

A charitable contribution, as a result of a solicitation from an employee(s) or agent(s) of a customer or potential customer acting in a fiduciary capacity, could be construed as a conflict of interest similar to the payment of gifts or gratuities. The Company does not restrict contributions to charitable organizations by Associated Persons acting in their own capacity. The Company will not reimburse charitable contributions made by Associated Persons. A review of contributions by the Company is conducted at least annually and a log is maintained.

## **4.10 Prohibited Transactions**

In rendering advice and other investment management services to clients, an Adviser Representative may not:

* Communicate non-public information to clients in violation of the firm's Insider Trading Procedures;
* Employ any device, scheme or artifice to defraud a client;
* Engage in any transaction, practice or course of business that operates as a fraud or deceit upon a client;
* Render investment advice to a client that is based on rumor or speculation;
* Render legal or tax advice to the client;
* Fail to disclose known material facts about an investment;
* Initiate unauthorized transactions for client accounts;
* Fail to disclose conflicts of interests;
* Maintain undisclosed brokerage or commission-splitting arrangements;
* Directly or indirectly participate in gains or losses, or profits of a client's account without being an account holder (and preapproved by the Company);
* Permit personal investments to influence advice to a client;
* Disclose information about a client and his or her account to persons outside Company or its affiliates without the client's approval;
* Fail to notify the Company or CCO immediately about any client complaints or settle client complaints independently;
* Provide advice or recommend a security or investment product to a client if the Adviser Representative does not have sufficient knowledge and information to support the advice or recommendation;
* Lend money to a client (without prior approval by the Company – i.e. if a family member, etc) or borrow money or securities from a client without prior approval;
* Accept cash from a client for investment;
* Sign a client's name to any document, even if the client gives permission to do so;
* Accept money from a client as additional compensation for investment management services offered;
* Act as an agent for the client in a business transaction (unless through the course as an Agent/RR of WSC and its normal securities business);
* Guarantee the performance of a client's investment or account or guarantee any security or investment product recommended to the client;
* Sign a client's name to any document;
* Agree to repurchase a security from a client;
* Assist a client in the borrowing of funds for investment, unless such assistance involves helping a client open up a margin account with a broker-dealer;
* Provide investment advice on a regular basis in a state where the Adviser Representative is not licensed, unless a di minimus exemption applies;
* Make discretionary trades for a client who has not given Company written authority to make such discretionary trades;
* Fail to disclose all conflicts of interests to a client that arise in a given securities transaction;
* Advertise his or her services or those of Company without prior approval of the CCO or Compliance department;
* Raise money for charitable or political organizations without prior approval from the CCO;
* Become employed with another company or serve as a director of another company without prior approval from the Company or CCO;
* Purchase or sell securities while in possession of inside information about the issuer of such securities; or
* Give gifts to clients or receive gifts from clients, unless such gifts are equal to or less than $100 per year per client or of nominal value.

Any written authorizations/approvals from the Company to engage in any such activities will either be maintained with the account documents for the duration of the account and 6 years after closing or separately with other Compliance documents.

## **4.11 Misuse of Customer Account Statements or Confirmations**

Any misuse or tampering of customer account statements or confirmations is strictly prohibited, is a violation of industry rules, and will be cause for immediate termination and reporting to applicable regulators.

## **4.12 Foreign Anti-Corruption Policies**

These procedures are designed to prevent Company personnel from offering, promising, making, authorizing or providing (directly, or indirectly through third parties) any payments, gifts, or the transfer of anything of value to any person, including government officials and family members of the government officials, in any jurisdiction to influence or reward any action or decision for Company's benefit. Neither Company's funds nor funds from any other source, including the personal funds of an employee, may be used to make any such payment or gift on behalf of or for the benefit of Company in order to secure an improper business advantage.

Company and its employees will comply with local foreign laws, in addition to complying with these Procedures, and are prohibited from giving anything of value to any public servant. Company employees must report to Morris Monroe any activity that fails to comply with these procedures or applicable anticorruption laws.

## **4.13 Personal Trading & Related Accounts**

All personal trades will be conducted through the home office trading desk for in house accounts. If known that a personal trade will also involve the same position for customer(s), all applicable trades will be through the home office trading desk as well to ensure that customer orders are entered prior to related persons trades. The customer's interest has precedence over any Associated Person's personal interest. While there is no standard that applies in every case, in general, Associated Persons will solicit customer orders before entering orders for personal accounts in the same security. When an Associated Person receives a better price in a security the same day the customer executes an order in the same security on the same side of the market (buy or sell), the customer will generally receive the better price unless there are circumstances that justify the Associated Person's better price (time of order entry, inability to reach customer, *etc.*) or the price difference is so miniscule to be significant (generally a matter of a few cents in price). Associated Person trades are reviewed and compared to customer trades on a sampling basis at least monthly within the blotters and outside account statements.

Personal trading activities prohibited by the Advisers Act include:

* Trading in securities for personal accounts, or for accounts of family members or affiliates, shortly before trading the same securities for clients (*i.e.,* front-running), and thereby receiving better prices; and
* Directing clients to trade in securities in which the adviser has an undisclosed interest, causing the value of those securities to increase to the adviser's benefit.

Employee and employee related accounts ("covered accounts") are subject to review by Company. Covered accounts include:

* the spouse of a person associated with the member;
* a child of the person associated with the member or such person's spouse, provided that the child resides in the same household as or is financially dependent upon the person associated with the member;
* any other related individual over whose account the person associated with the member has control; or
* any other individual over whose account the associated person of the member has control and to whose financial support such person materially contributes.

In addition, accounts subject to review include any account where an employee has a beneficial interest or the authority to make investment decisions (for example, trust accounts, accounts for minors, *etc.*). "Accounts" also include securities at the Company or other financial institutions including foreign or domestic broker-dealers, investment advisers, banks and other financial institutions.

Company must be notified and approve of any outside securities accounts prior to any transactions and receive duplicate statements that will be reviewed and maintained as part of the Company’s books and records for a period of three years.

Personal securities transactions will be reported to the Company not more than 10 business days after the end of the calendar quarter in which the transaction was effected, unless already received by Company/WSC and will be maintained as part of the Company’s books and records for a period of three years. Statements may be reviewed by Morris Monroe, Laura Hendricks, or Gloria Sedita.

**Exceptions**

The following transactions are not subject to the provisions in (1) Personal Securities Transaction, (2) Interest in Securities, (3) Black-Out Periods; (4) Pre-Clearance of Securities Trades, and (5) Reporting of Securities sections:

* Transactions in securities held in accounts over which the Access Person has no direct or indirect influence or control;
* Transactions effected pursuant to an Automatic Investment Plan; and
* Transactions in investment company securities, certificates of deposit or other high quality short-term debt instruments, government securities, 529 Plans.

**Review**

Compliance shall periodically review and compare reported transactions of random Access Persons in Securities with the transactions of the Access Person indicated on his or her confirmations and account statements, comparable clients of the Company, and any securities of any applicable Watch or Restricted Lists.

If the Compliance suspects that an Access Person has violated these Procedures, he or she shall investigate the alleged violation, and, as a part of that investigation, allow the Access Person an opportunity to explain why the violation occurred or did not occur. If Compliance concludes that an Access Person has violated these Procedures, he or she shall submit a report of such violation, his or her investigation of such violation, and his or her recommendation on what steps should be taken to address such violation, including recommending sanctions against the violator.

**Sanctions**

Compliance staff may recommend the imposition of the following sanctions either in ascending order or a combination of sanctions depending on the facts and circumstance of the Code of Ethics violation:

* + Warning;
  + Disgorgement of profit and donating profit to a charity;
  + Withdrawal of the privilege to make personal trades;
  + Monetary fine;
  + Letter of reprimand about the misconduct; and/or
  + Termination of employment.

## **4.14 Solicitor/Agents**

The Company utilizes solicitors/agents for obtaining accounts which currently includes only agents that are also registered representatives of Woodlands Securities Corporation (“WSC”). The Company does not use any outside solicitors, however, if in the future this changes, new procedures and/or guidelines will be adopted at that time. Solicitors/Agents will sign a Solicitor/Agent Agreement with the Company at or before inception of the relationship. Any outside holdings not already reported to Company or WSC will be reported to the Company and ensure that the Company will obtain duplicate statements. Initial training will be conducted to familiarize the new agent with Company policies and procedures and acknowledge their agreement and understanding of such by signing the current copy of the Compliance Manual. A list of current Solicitor/Agents will be maintained in Exhibit A of this manual. Solicitor/Agents may also be the named advisor for their respective client accounts. Solicitor/Agents may advise their accounts with trades coordinated through Company home office (with the exception of Chris Moss who is approved for fixed income trading for Lufkin accounts). Fees paid to Solicitor/Agents are disclosed to the client in the WAMI Investment Agreement, Exhibit B.

## **4.15 Annual Compliance/Regulatory Checklist**

The Company will rely on the annual compliance and regulatory survey, conducted through Woodlands Securities Corporation, of its Associated Persons in order to detect such occurrences of outside business activities, gifts, private securities transactions, etc. This will be signed by each Associated Person as evidence of completion.

Included in the Checklist, each employee is to certify in writing on an annual basis the following:

1. Received, understands, and will comply with the Compliance Manual and its procedures;
2. Access Person have received a copy of and understand Company's Code of Ethics;
3. Access Persons have disclosed, precleared (if applicable) and reported all transactions in Securities consistent with the requirements of the Code of Ethics;
4. Complied with Company's guidelines on interaction through social media;
5. Pre-cleared and reported all political contributions;
6. Complied with all insider trading procedures;
7. Complied with Company's e-mail policy and procedures;
8. Reported all outside business activities; and
9. Complied with all of Company's gift and entertainment procedures, including those applicable to foreign government officials.

In addition, each checklist will be maintained as part of the Company’s permanent records until three years after the Associated Person has been terminated.

## **4.16 Annual Personnel Review**

Company’s CCO shall ensure an annual review of each investment adviser representative of the Company. The annual review will include, at a minimum, the following:

* Applicable license information is current and all licenses have been renewed;
* Review of qualifications/responsibilities to determine if changes/upgrades are necessary;
* Review of specific education, training, and compliance issues;
* Review of activities related to business conducted outside the Company and personal securities accounts; and
* Other items as relevant to the individual.

Evidence of such review will be provided on any Internal Exam report.

## **4.17 Training**

All Associated Persons will receive initial training in the orientation meeting conducted by Morris Monroe and/or Laura Hendricks. The Compliance Manual will be reviewed along with any other special training for administrative staff as applicable. Associated Persons are encouraged to report any violations of regulatory rules and regulations and/or violations of these compliance procedures to senior management as evidenced in this Compliance Manual and on the Office Policy – Behavior and Conduct Form for staff personnel. They are assured that there are no adverse consequences for reporting such information.

### 4.17.1 Continuing Education

It is the policy of the Company to provide ongoing education for its Associated Persons and/or personnel to keep them apprised of company policies and procedures and regulatory laws and regulations.

Factors to consider may include:

1. Review of current Compliance Manual
2. Review of previous regulatory examinations and related findings.
3. Review of customer complaints, if any, received by the Company.
4. Review of recent rule adoptions, changes and proposed rule changes.
5. Review of Company’s Code of Ethics

Morris Monroe shall have the responsibility of ensuring Associated Persons and/or personnel are properly educated as to current Company procedures and any new developments relative to the industry. Some elements to consider for training may include:

1. To educate and or refresh Associated Persons with issues regarding customer suitability, handling of customer accounts, and ethics training.

2. To educate Associated Persons with respect to the nature of the various investment allocations which the Company offers its customers.

3. To educate and or refresh Associated Persons with respect to rules and regulations of the industry in which we operate, and actions which result in frequent violations of the rules and regulations of our industry.

Training may be conducted in alliance with the Woodlands Securities Corporation annual compliance meeting with a list or copy of items discussed on an agenda report.

## **4.18 Violations of Procedures & Whistleblower Policy**

Violation of the Company’s rules and procedures, unless specified otherwise in any section herein, may result in disciplinary action, including fines, and or termination.

It’s important for all employees and Associated Persons to be aware of the Company’s whistleblower policy and to participate in the Company’s commitment to comply with FCPA requirements. Violations should be reported to:

* His or her supervisor, or if the supervisor may be involved, to
* Compliance or a senior officer of the Company; or if the Company appears to be involved at a very high level, to
* The SEC.

Company has an anti-retaliation policy for employees and Associated Persons who report potential violations. These persons will not be subject to retaliation by the Company or its employees and should feel free to contact Compliance or Morris Monroe with any concerns about possible violations.

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# 5. CUSTOMER ACCOUNTS & INVESTMENT MANAGEMENT

## **5.1 Introduction**

Investment advisers are fiduciaries that owe their clients a number of duties and may only recommend investments that are suitable to a client, based on the client's particular circumstances and needs.

### 5.1.1 Fiduciary Duty to Clients

Company owes a fiduciary duty to each of its clients which is similar to the “prudent man rule” applicable to a trustee, exercising that degree of care with respect to the client’s affairs that a “prudent man” would observe with respect to his own. This duty is particularly evident where the client has given discretionary authority over their account to the Company. Therefore, Company must eliminate or at least expose all conflicts of interest that might incline it to render advice that is not disinterested.

In order to carry out their general fiduciary duties, Company and each Advisor Representative shall have the following specific duties:

1. Fully disclose the material facts of each and every conflict of interest;
2. Exercise the utmost and undivided loyalty to the client;
3. Recommend suitable investments to clients; and
4. Treat each client fairly and perform services for them, including trading their accounts, in an equitable manner.

This chapter addresses the handling of customer accounts. Company utilizes custodians such as Charles Schwab to hold customer funds and securities. In addition, outside advisors may also be utilized for a portion of accounts with a specific investment strategy. Accordingly, each customer who opens an account will be notified in writing the existence of the arrangement between the Company and any custodian. This will be evidenced by the distribution of the Form ADV 2A disclosure document and the account application forms.

## **5.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Designated Supervisor * Compliance Reviews |
| **Statutes** | * SEC Rule 17a-3(a)(17) and 3a-4 * US Patriot Act – Identity, Private Banking, Foreign Corresp Accts * '34 Act Rule 17a-3(17)(i)(A) – Updating Acct Info/ Periodic Verification * Section 204A of the Investment Advisers Act of 1940 * Rule 206(3) of the Investment Advisers Act of 1940 * Rule 206(4)-2 under the Investment Advisers Act of 1940 * Rule 206(4)-8 – Custody Rule, Pooled Investments * Bank Secrecy Act and SEC Rule 17A-8 * ERISA |
| **Frequency** | * Transaction records * Associated Person records * When accounts are opened * Account reviews * 17a-3 – 30 days within acct opening; every 36 months; upon change in acct notification * When employees are hired * Training annually and as needed * Annual review of procedures or sooner if needed |
| **Actions** | Identity:   * Before approving an account, determine that customer identification (ID) verification information is included with the new account application and meets Company's requirements; * For non-documentary verification, check the information included with the new account application for completeness and consistency with other customer-provided information (name, address, phone number, taxpayer ID number, *etc.*) * Taxpayer ID * For unacceptable verification information (incomplete, inconsistent), return the application to the RR for further information or disapprove the account   Suitability:   * New Acct Form, Account Documents   17a-3/Verification:   * Letter sent to customers * WinOps log * Compliance Meetings * Ongoing – other actions     Associated Persons:   * Transactions * Annual Regulatory Checklist |
| **Records** | * New account records, LOAs, other account documents, etc * Supervisor's approval * Account statements * Any applicable Compliance logs or reports, notes in WinOps * Trade and transaction records, blotters * 17a-3s returned, Log in WinOps * Any Restricted Lists * Insider Information Acknowledgements * Compliance meeting records |

## **5.3 New Accounts**

All new accounts opened with the Company will require the Company's acceptance of such account. Acceptance will be acknowledged by the designated person's signing of Investment Agreement and/or New Account Forms. Customer Accounts originating in the home office shall be accepted by Morris Monroe or Laura Hendricks on behalf of the Company, or signer on his behalf, and customer accounts originating in the Lufkin office shall be accepted by Chris Moss or Morris Monroe. Company utilizes Charles Schwab and Jefferson National as custodians for customer account funds and securities. Customer accounts will be reviewed by Morris Monroe or his designee to assist in detecting and preventing violations of, and achieving compliance with applicable laws, regulations and rules. Evidence of such review will be logged into WinOps or through quarterly sampling reviews.

### 5.3.1 Process

The following describes the processing upon the acceptance of a new account:

1. WAMI Client Checklist completed when the account paperwork is received. Any resident state outside of TX must be reported to Compliance immediately. Compliance to check for any FORM ADV notice filing requirements.
2. New Account paperwork, Investment Agreement, and Form ADV 2A & B provided to prospective client. New Account form contains Disclosures, Company Agreement, Privacy Policy, CIP, and BCP Summary
3. Morris Monroe, Laura Hendricks, or Chris Moss will review and approve Client’s New Account Form. Obtain Questionnaire (and assign a WAMI Model, other account type, or outside advisor), and the Investment Agreement.
4. On the day checks are received, they are either scanned to Schwab, overnighted, or hand delivered to a local office on the same day but no later than by noon the following business day.
5. Account is opened at the custodian.
6. Customer is downloaded or input into custodian, Portfolio Center and Black Diamond and Model or other account type is assigned based on Morris Monroe’s or Agent’s instruction.
7. Customer is also input into Gorilla software program for follow up and actions.
8. Types of account noted in Schwab, Portfolio Center (or other similar program):

- Individual, Joint, Qualified, etc;

- Discretionary or Non-Discretionary;

- Custodian and account number;

- Manager – whether the Company or an outside advisor;

- Solicitor/Agent;

- Payment of advisory fees method – whether deduct from account or paid directly by the client to Company; and

- Fee and Investment Model assigned if applicable.

1. If assigend to a Model, client funds are first invested 25% into the Model after all the funds have been received in the account, then 10% each month until fully invested.
2. Original customer documents are set up in a WAMI file and entered into and scanned into WinOps.
3. SEC 17a-3 letter sent within 30 days and every three years thereafter. Record log of letters sent is maintained in WinOps. Operations or Compliance sends out the letters. Any changes will be made into their WinOps record and given to the Back Office to review with Morris to determine if a change in Model is necessary. Any change to Model would be noted in Portfolio Center, RedBlack, Black Diamond and/or Gorilla.

### 5.3.2 Anti-Money Laundering

Money laundering is the process used to conceal the origins of illegally obtained gains - "dirty" money - by introducing them into the financial system or promoting an illegal activity with illicit or legal source funds. In other words, it is the process by which the proceeds of crime are converted into assets that appear to have legitimate origin so that they can be retained permanently or be recycled to fund further crimes.

Except for certain OFAC and currency reporting rules, Company is not required to adopt and implement AML procedures until FinCEN adopts proposed AML rules and those rules become effective at their compliance dates. Company relies on custodian to conduct initial and ongoing Anti-Money Laundering review and procedures.

Furthermore, while the PATRIOT Act does not currently apply to Company, it is Company’s policy to strictly prohibit its employees and any person associated with it from engaging in or assisting in the laundering of money or any activity associated with the funding of terrorist or other illegal activities. Company is firmly committed to complying with economic sanctions imposed by the U.S. government, including OFAC, and reporting and assisting in the prosecution of any persons who participate in, assist others, or have any knowledge whatsoever of any money laundering or terrorist funding activities.

## **5.4 Account Information**

An Adviser Representative, prior to making any recommendation to a client, must ascertain certain information from the client. This includes taking adequate steps to obtain additional information about such client's financial situation, securities holdings, risk tolerance and other information necessary to make a recommendation, including the particular client's:

* + Name;

For Entities (Corporations, LLC, Partnership, Trust, etc): each individual, if any, who owns, directly or indirectly, 25% or more of the equity interests of the Entity Client (*e.g.,* each natural person that owns 25% percent or more of the shares of a corporation); and an individual with significant responsibility for managing the Entity Client (*e.g.,* a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer).

* + Residential or business address;
  + Telephone number;
  + Purpose for opening the account;
  + Marital status;
  + Occupation;
  + Anticipated needs for the account;
  + Annual income;
  + Estimated net worth;
  + Investment experience;
  + Risk tolerance;
  + Liquidity needs;
  + Source of funds and means of transfer of funds to open the account;
  + Age;
  + Social Security Number or copy of filed IRS Form W-9 if a U.S. person and if required by FATCA or other applicable law or regulation;
  + Copy of IRS Form W-8 if a non-U.S. person and if required by FATCA or other applicable law or regulation; and/or;
  + Copies of other forms for IRS reportable accounts (see <http://www.IRS.gov> for a list of such forms and filing requirements).

The CCO or the Compliance Department shall be responsible for ensuring that the items are ascertained and the signing and dating of each of the applicable new account forms is completed. Each new client will be required in the new account form to certify to the best of his or her knowledge, as to the accuracy of the information in such document.

### 5.4.1 SEC Rule 3a-4 Safe Harbor

This section describes a nonexclusive safe harbor from the definition of investment company for programs that provide discretionary investment advisory services to clients. There is no registration requirement under section 5 of the Securities Act of 1933 [ 15 U.S.C. 77e] with respect to programs that are organized and operated in the manner described in § 270.3a-4.

Company provides discretionary investment advisory services to clients, however, since the accounts have the following characteristics, Company will not be deemed to be an investment company within the meaning of the Act [ [15 U.S.C. 80a](https://www.law.cornell.edu/uscode/text/15/80a), *et seq.*]:

1. Each client's account is managed based on the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account.
2. With the following conditions:

* At the opening of the account, Company obtains information from the client regarding the client's financial situation and investment objectives, and gives the client the opportunity to impose reasonable restrictions on the management of the account;
* At least annually, Company (with the annual Form ADV 2A notice), and its custodian (through the custodian account statement), notifies clients to contact the Company if there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions;
* At least quarterly, Company through its custodian’s account statements, notifies the client to contact the Company if there have been any changes in the client's financial situation or investment objectives, or if the client wishes to impose any reasonable restrictions on the management of the client's account or reasonably modify existing restrictions, and provides the client with a means through which such contact may be made; and
* Company and its Agents are reasonably available to clients for consultation.

1. Each client has the ability to impose reasonable restrictions on the management of the client's account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account; ***Provided, however,*** that nothing in this section requires that a client have the ability to require that particular securities or types of securities be purchased for the account.
2. The custodian of client accounts provides each client with a statement, at least quarterly, containing a description of all activity in the client's account during the preceding period, including all transactions made on behalf of the account, all contributions and withdrawals made by the client, all fees and expenses charged to the account, and the value of the account at the beginning and end of the period.
3. Each client retains, with respect to all securities and funds in the account, to the same extent as if the client held the securities and funds outside the program, the right to:
   * Withdraw securities or cash;
   * Vote securities, or delegate the authority to vote securities to another person;
   * Be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and
   * Proceed directly as a security holder against the issuer of any security in the client's account and not be obligated to join any person involved in the operation of the program, or any other client of the program, as a condition precedent to initiating such proceeding.

In addition, Company periodically contacts clients regarding their investment objectives, financial status, and risk tolerance. Company sends the SEC 173-a letter to customers within 30 days of opening an account and every three years thereafter. Current information about the client’s financial status and investment objectives is available to the Adviser Representative for such determinations.

## **5.5 Determining Investment Objectives**

Advisor or Agent will determine each customer's investment objectives and desires at the account opening phase, as determined during account reviews with customer, or pursuant to their direction. These objectives and desires will be evaluated with respect to each client's circumstances and financial condition. Objectives will be recorded on the new account form as well as in WinOps and or other programs. Typically, upon completion of input of all WAMI accounts into WINOPS database or before, an SEC 17a-3 styled letter will be sent to all customers to review and given the opportunity to amend said objectives. Any change to objectives will be modified in WINOPS with the response date noted. Any interim change in account objectives will be sent a verification change letter and maintained as evidence of the change and the date sent for record retention.

Factors to be utilized in determining investments that are compatible with such objectives and desires will be: (a) customer's relative financial position; (b) income and type of employment; (c) level of education; (d) marital status; and (e) customer's ability to hold an investment long term. Every Associated Person must make a reasonable effort to obtain this information for every new account by completing the New Account form and Confidential Client Questionnaire. Beginning January 2007, and every three years thereafter, Company will start sending to active accounts an SEC 17a-3 letter that discloses customer’s personal information on file with Company and asks customer to update their information if there is a change. A log will be maintained in the customer record in WinOps when the letter is sent. Returned customer information will also be documented in WinOps and the returned letter maintained as part of Company’s books and records for as long as the account is active and six years after termination.

## **5.6 Discretionary Authority**

A discretionary account allows the adviser, at its discretion, to decide when to buy and sell securities for the client; what securities to buy and sell for the client; and the price to pay or receive for securities bought and sold for the client. Company’s advisory contract and account forms provide Company with full trading authority to make purchase and sale transactions on behalf of the client.

## **5.7 Custody**

An adviser that has custody of client assets (generally referred to as customer funds and securities) must implement a set of controls designed to protect those assets from being lost or misappropriated. The SEC deems an investment adviser to have "custody" when it (1) directly or indirectly holds client funds or securities, (2) has any authority to possess them, or (3) has access to client funds or assets. Advisers generally can meet the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940, the SEC's custody rule, by maintaining client assets with "qualified custodians" (e.g., banks and broker-dealers).

### 5.7.1 Definitions

*“Related Person”* – means any person, directly or indirectly, controlling or controlled by Company; or any person under the common control with Company.

*“Operationally Independent”* – a. Client assets maintained by the Related Person are not subject to Company's creditors; b. Company personnel do not have custody or possession of, or direct or indirect access to client assets that are maintained at the Related Person; c. Company personnel and Related Person personnel who have access to client assets are not under common supervision; d. Company personnel do not hold any position with the Related Person; and e. Company personnel do not share premises with the Related Person.

*“Independent Public Accountant”* - an accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board in accordance with its rules and that meets the standards of independence described in Rule 2-01(b) and (c) of Regulation S-X.

### 5.7.2 Custody Status

For each client, the Operations personnel and Compliance Department will determine whether it has custody of any assets of such client under Rule 206(4)-2 under the Advisers Act. Such determination will be made for:

* New clients: initially - immediately after the client first becomes a client of Company; and
* Existing clients - officially at least annually, when Compliance conducts its internal reviews but typically will be reviewed each quarter when client reports are prepared by back office personnel.

If determined Company has custody status, then it will indicate so on the Form ADV Part 1.

### 5.7.3 Arrangements or Circumstances Constituting Custody

Company deems the following arrangements or circumstances involving Company or its Related Persons (as defined herein) acting in connection with advisory services to clients to constitute "custody" of client assets:

* Holding client assets;
* Holding certificated securities (not privately issued certificated securities) owned by the client in a safe deposit box controlled by the adviser at a bank;
* Providing bill-paying services to the client and in connection therewith being authorized to withdraw funds and securities from a client's account;
* Signatory and check-writing authority for client accounts allowing the Company to deduct it's advisory or other fee from a client account without the client’s knowledge or consent;
* Commingling client, Company, and employee assets in a single account;
* Authority (through a general power of attorney or otherwise) to obtain possession of, or withdraw, client assets;
* Authority to deduct Company's advisory or other fee from a client account without client notification;
* Authority to write checks on behalf of a client without client’s knowledge or consent;
* Acting in any capacity that gives it the authority to withdraw funds or securities from the client's account without client notification or authorization;
* Acting in the capacity as a general partner (or managing member) of a limited partnership (or limited liability company) and having the authority to withdraw funds or securities from, or otherwise access, the limited partnership's (or limited liability company's) account;
* Acting as trustee (including an employee of Company) of a trust for the benefit of a client (“Constructive Custody”), except where the trustee appointment is a result of a family or personal relationship with the grantor or beneficiary; and
* Acting as an executor (including an employee of Company) to an estate for the benefit of a client, except where the executor appointment is a result of a family or personal relationship with the decedent or beneficiary.

### 5.7.4 Constructive Custody

Company is deemed to have constructive custody of client assets (even client assets held at an unaffiliated Qualified Custodian) if Company has a power of attorney, acts in a trustee capacity or otherwise has constructive custody in some other capacity with respect to the client assets causing it to be deemed to have custody for purposes of Rule 206(4)-2 (i.e. withdrawal of funds or securities without client’s knowledge or consent) except where the trustee appointment is a result of a family or personal relationship. When Company is deemed to have constructive custody of client assets, Compliance will:

* Verify that Company custodies such client assets with a Qualified Custodian; and
* Arrange for a Surprise Examination of the custody arrangement of such securities in accordance with the Surprise Examinations procedures set forth herein, if applicable.

### 5.7.5 Inadvertent Receipt of and Temporary Custody of Assets

From time to time, Company may have temporary custody of client assets. The following temporary custody scenarios were analyzed by the SEC staff ("SEC Temporary Custody Scenarios") in Investment Adviser Association (pub. Avail. Sept. 20, 2007):

* An adviser provides administrative services to its clients in connection with tax filings made with the Internal Revenue Service, state and other governmental taxing authorities (together, "Tax Authorities"); those services include completing tax forms and filing them with the Tax Authorities. The Tax Authorities sometimes send client tax refunds to the adviser's address;
* An adviser files proofs of claim for their clients and complete other documentation related to class action lawsuits and other legal actions. Administrators of funds established to distribute the settlement proceeds of these actions sometime send client settlement assets to the advisers; and
* An adviser receives stock certificates or dividend checks in the name of its clients. Advisers also may receive stock certificates (or evidence of new debt) in a class action lawsuit involving bankruptcy where shares are issued in a newly organized entity, or as a result of business reorganization.

If Company receives client assets in an SEC Temporary Custody Scenario, the Chief Compliance Officer will ensure that he/she will:

* Promptly identify client assets that it inadvertently receives;
* Promptly identify the client (or former client) to whom such client assets are attributable;
* Promptly forward client assets to its client (or former client) or a qualified custodian, but in no event later than five business days following the Company's receipt of such assets;
* Promptly return to the appropriate third party any inadvertently received client assets that the Company does not forward to its client (or former client) or a qualified custodian, but in no event later than five business days following the adviser's receipt of such assets; and
* Maintain and preserve appropriate records of all client assets inadvertently received by it, including a written explanation of whether (and, if so, when) the client assets were forwarded to its client (or former client) or a qualified custodian, or returned to third parties.

### 5.7.6 Surprise Examinations

Periodically, the Chief Compliance Officer will determine whether Company is required to arrange for a surprise examination. Company shall be required to arrange for a surprise examination if:

* Company as a Qualified Custodian has custody of client assets;
* Client assets are maintained at a Related Person of Company that is not "operationally independent" (defined herein);
* Company has constructive custody of client assets even though such assets are maintained at an unaffiliated Qualified Custodian; or
* Company has custody of client assets because it has hedge fund clients or Related Person has fund clients and such funds’ financial statements are not audited by a, PCAOB, Independent Public Accountant.

When Company is required to arrange for a Surprise Examination, it shall arrange for a Surprise Examination by entering into a written agreement with an Independent Public Accountant that requires such Accountant:

* to notify the SEC within one business day of finding any material discrepancy during the course of the Surprise Examination;
* to verify by actual examination at least once during each calendar year the client assets maintained by Company or Related Person;
* to choose the exam date and time;
* to ensure that the exam date is irregular from year-to-year;
* to submit Form ADV-E (electronically through the IARD) to the SEC accompanied by the accountant's certificate within 120 days of the time chosen by the accountant for the Surprise Examination, stating that the accountant has examined the funds and securities and describing the nature and extent of the examination;
* upon finding any material discrepancies during the course of the examination, to notify the SEC within one business day of the finding, by means of a facsimile transmission or electronic mail, followed by first class mail, directed to the attention of the Director of the Office of Compliance Inspections and Examinations; and
* upon resignation or dismissal of the Independent Public Accountant, to file within 4 business days of such resignation or dismissal Form ADV-E and a statement containing:
  + The date of such termination or dismissal,
  + The name, address and contact information of the accountant, and
  + An explanation of any problems relating to the examination scope or procedure that may have contributed to such resignation or dismissal.

Filing the Form ADV-E by the independent public accountant is a two step process:

* + 1. The Company must submit a Form ADV-E via the IARD that identifies the independent public accountant that will be performing the surprise examination; and
    2. The independent public accountant receives an email from the IARD system providing a unique, secure link which allows the accountant to upload a surprise examination report to the IARD.

### 5.7.7 Internal Control Reports

Periodically, the Chief Compliance Officer will determine whether Company is required to arrange for an Internal Control Report. Company shall be required to arrange for an Internal Control Report when:

* Company as a Qualified Custodian has custody of client assets;
* Client assets are maintained at a Related Person of Company that is not operationally independent of Company or does not have PCAOB, Independent Audited Financials; or
* Company has custody of client assets solely because it has hedge fund clients and such hedge fund clients' financial statements are not audited by a PCAOB, Independent Public Accountant.

When Company is subject to Internal Control Report requirements set forth herein, it will follow these procedures:

* Ensure an Independent Public Accountant prepares an Internal Control Report;
* Verify that the Independent Public Accountant will prepare an Internal Control Report that includes an opinion of the independent public accountant as to whether controls have been placed in operation as of a specific date, and suitably designed and operating effectively to meet control objectives relating to custodial services, including the safeguarding of funds and securities held by either the Company or its Related Person on behalf of the clients during the year;
* Arrange for the PCAOB, Independent Public Accountant to verify that the funds and securities are reconciled to a custodian other than Company or Related Person of Company; and
* Ensure the Internal Control Report to be prepared at least once each calendar year (and within 6 months after first being subject to Rule 206(4)-2(a)(6) under the Advisers Act).

### 5.7.8 Related Person Custody

"Related Person" means any person, directly or indirectly, controlling or controlled by Company; or any person under the common control with Company. When a Related Person, directly or indirectly maintains client assets, Compliance will:

* Verify that the Related Person maintains funds or securities with a Qualified Custodian;
* Ensure each client receives in writing of the name and address of the Related Person, and the manner in which the funds or securities are maintained, promptly when the account is opened and following any material changes to this information;
* Require the Related Person to transmit account statements to clients in accordance with the Account Statements procedures set forth herein;
* If determined it is required, ensure a Surprise Examination or a PCAOB, Independent Public Accountant to prepare Audited Financial Statements or a Written Internal Control Report, if applicable, in accordance with the procedures set forth herein.

#### 5.7.8.1 Account Statements

Account Statements will adhere to the following:

* Prepared by an independent third party;
* Identify the amount of funds and the prorata share of assets at the end of the period;
* If the account statement is delivered electronically:

A. the client has given informed consent to receiving the information electronically;

B. the client can effectively access the electronically delivered information; and

C. if possible, obtain any evidence that the delivery was received, such as an email delivery or read receipt.

Morris Monroe will have the opportunity to review any and all account statements for any unusual activity and will maintain a log to document any such adverse findings and any steps taken as a result if applicable.

### 5.7.9 Custodian Arrangements

Pursuant to Rule 206(4), Company utilizes only qualified custodians (i.e. a US Bank, Broker Dealer, or Futures Commission Merchant) for customer funds and securities and such custodians forward at least quarterly statements to clients that list any transactions for the period and position balances. Company will verify a sampling of statements on a quarterly basis to ensure customer statements are being forwarded and that Company records match custodian records. Company utilizes Schwab for most general securities accounts and Southwest Securities for a few additional accounts as the qualified custodian to hold client funds and securities. Company CCO and back office personnel ensure the following controls related to each respective custodian:

* A separate account is opened and maintained for each client’s respective account(s). Company sets up each account directly into each custodian’s respective system with a new account generated as evidence of such control which is then followed by the submission of related account documents. Client’s completion and execution of such documents evidences their acknowledgement and authorization of the use of applicable custodian and additional disclosure is provided via Company’s Form ADV Part 2.
* Company has controls and procedures in place in the event it inadvertently receives client funds and/or securities as noted under Section 5.7.5, Inadvertent Receipt of and Temporary Custody of Assets above.
* Account balances and transactions are reconciled to Schwab through the software program Portfolio Center and Black Diamond and verified by back office personnel who review for discrepancies and take any necessary steps to correct the anomalies. In addition, Company uses Portfolio Center and Black Diamond to generate its quarterly reports sent to clients. A quarterly random review of accounts is selected to verify such balances by back office personnel and maintained as part of Company’s books and records.
* Each respective brokerage custodian independently monitors corporate actions as evidenced by email alerts from said custodians and the affected accounts.

## **5.8 Portfolio Management**

These procedures have been adopted to provide a guideline for processing managed accounts and to maintain consistency with client objectives, regulatory requirements and disclosures. These procedures will be reviewed at least annually to determine if any changes or additions are necessary.

### 5.8.1 Allocation of Investment Opportunities

For model accounts: As each account is opened, adviser or agent determines client’s risk level based on responses to the Questionnaire and interaction with client. Adviser then assigns appropriate asset allocation model or other type account (i.e. fixed income, combination, etc). Current main models are: Conservative, Moderate, and Aggressive (with some variations with ETFs, defensive measures, and smaller ETF accounts, typically less than $100,000,). As account is funded, money is invested in positions according to assigned model. Normal timing of those investments: 25% of cash invested immediately when the account is fully funded, then 10% invested each month thereafter until fully allocated (depending on balances and transferred assets received).

Accounts are rebalanced on an intermittent basis depending on new allocation decisions. Cash balances in all accounts are reviewed at least monthly by Operations personnel to determine if cash exceeds the target (or otherwise has a requested Cash Buffer). Subject to input from Advisor or Agent, the excess cash is invested.

Pursuant to investment committee allocations, trades will be input for the model accounts and generally are traded for all model groups simultaneously (the execution ocurrs at the end of the day for all mutual fund purchases). For the small ETF model accounts, trades may be enterered simultaneously but may execute on an individual account basis. Therefore, different accounts may or may not receive the same price since ETFs execute throughout the day as opposed to the end of the day like mutual funds.

### 5.8.2 Model Portfolios

Based on the customer’s answers to the Client Investment Objective Questionnaire and the determination by Morris Monroe or Agent to place a customer in a Company managed model portfolio, a model will be assigned. With authorization from the customer, Agent, or Morris Monroe, a change in model assignment may be input into the Portfolio Center or Black Diamond or other software programs (programs that maintain customer accounts and transactions). Below are the main, current models used for Company managed Mutual Fund accounts, however depending on the market and other technical criteria, percentages may vary:

Conservative: typically is comprised of up to 55% Equity and up to 45% Bonds and Cash.

Moderate: typically comprised of up to 65% Equity and up to 35% Bonds and Cash.

Aggressive: typically all Equity and Cash.

ETF models have been created for smaller portfolios (typically around $100,000 or less):

Conservative ETF: typically is comprised of up to 50% Equity and up to 50% Bonds and Cash.

Moderate ETF: typically is comprised of up to 60% Equity and up to 40% Bonds and Cash.

Aggressive ETF: typically comprised of all Equity and Cash.

A smaller account will generally stay in the ETF model until it reaches approximately $150.000. Once any account is in the regular models, it generally does not revert back to the smaller ETF models, even if they fall below $100,000.

Variations may occur for defensive measures. For example, the mutual fund models may also contain ETFs or higher Cash percentages in each model. Some accounts managed by Company may also be equity or fixed income accounts and partially in a model or not at all.

### 5.8.3 Valuation

Company relies on the broker-dealer or other financial institution that maintains a client's account to value such client's portfolio securities. As such, Company relies on the pricing services where Schwab (or other custodian) maintains client accounts and to value client portfolio securities.

### 5.8.4 Investment Committee/Reviews

Company currently uses a group of Associated Persons who meet periodically to discuss and review current model allocations (currently includes Morris Monroe, Bob Davis, David Vaughan, and other staff members who may attend). Such review includes the performance, management style, trading, and asset composition and technical analysis of a fund in the model or potential funds to include. Any changes or additions to related models will be maintained in an excel spreadsheet for documentation and recordkeeping purposes. Said spreadsheet (“WAMI Allocations”) will include the date and related changes to each respective model. Subsequently, Trading and Operations will enter applicable trades for any additions or deletions in all related accounts.

### 5.8.5 Outside Managed Accounts/Separately Managed Accounts

Company may recommend an Equity outside managers offered through the Schwab platform (i.e. Garcia & Hamilton (formerly DHJ), AllianceBernstein, Brandes, Private Capital Management, etc.). Investment Advisor and/or Agent will determine whether to place a customer in an outside managed account. Applicable account applications in addition to Company forms may be obtained and will be reviewed as part of the account opening process.

Under these circumstances, Company does not have to arrange for the sub-advisers to deliver their firm brochures to clients if the following conditions are met with respect to such clients:

1. The client must have appointed Company to have discretionary authority with respect to selecting sub-advisers to manage the client's account;
2. The client made an "informed choice" to delegate Company to receive the sub-adviser's firm brochure in lieu of the client receiving the document;
3. Company must identify to the client the identity of each sub-adviser;
4. Company must keep and maintain the sub-adviser's brochure in accordance with the books and records rule under the Advisers Act;
5. Company must provide a copy of the sub-adviser's brochure to the client upon the request of the client;
6. Company must review the sub-adviser's brochure, including sections that address conflicts of interest; and
7. The client retains the option to change his or her mind to receive the firm brochure of the sub-adviser free of charge.

If applicable, Company will maintain a list of custodians that hold 10% or more of the assets under management of Company’s separately managed accounts. Company’s main custodian is Schwab and it does not trade away from Schwab.

### 5.8.6 Mutual Fund Protocol

Since Schwab is the main custodian and broker/dealer for client assets, Company generally uses their One Source Mutual Fund and ETF product list. Both offer $0 commission funds and $0 transaction fees for mutual funds (ETF transaction fees may vary depending on whether client is setup for edelivery of documents).

### 5.8.7 Rebalancing

Models are actively managed and back office personnel are responsible for the rebalancing of customer accounts and are conducted on an as-needed basis. Certain circumstances dictate when an account may need to be balanced (for example, a distribution, cash generation, billing, etc.). A Rebalancing module through RedBlack or Schwab facilitates the rebalancing process. Below are the typical steps in the process:

* + The customer is assigned a model.
  + Prior to executing the Rebalancing, a manual check of each model’s funds must be reviewed for inclusion of all applicable customer accounts.
  + Reports are subsequently generated detailing what needs to be bought or sold to bring applicable accounts in line with model assigned.
  + Any exceptions are presented to Morris Monroe, back office or Agent.
  + Some do not fit the standard model due to certain cash needs or particular holdings by the customer.  For those accounts, trades must be done manually.
  + Notes are entered in the trading program and/or Gorilla for such accounts and a review is conducted each quarter of any such exceptions.
  + Copies of any rebalancing transactions are maintained with all other tickets.
  + Upon completion, an allocation report will be processed to verify portfolios are in balance with said model.

### 5.8.8 Other Accounts

If a model is not assigned to an account, the Advisor or Agent submitting the account will determine investments based on information from the new account form, questionnaire, and objectives of customer. All other procedures for billing and quarterly reports should be similar.

### 5.8.9 Billing Procedures

Black Diamond prepares the billing statements and makes them available to the Company. Subsequently, Operations personnel uploads that information to Schwab followed by:

1. Fees are deducted after the custodian statements have been mailed or become available electronically to customers.
2. Ensure each account has enough cash to cover fees. If uploaded to Schwab and account is deficient, Schwab will notify back office personnel next day if funds are not available. Positions will have to be sold to cover fee pursuant to authorization from Morris Monroe or Agent.
3. Schwab: Every account must be set up initially with an appropriate billing set, billing spec, and a billing form for the proper fee.
4. Do not include direct pay client(s).
5. Schwab will deduct fees from applicable accounts either the same day as the upload or next day depending on time of receipt. Total fees will be automatically deposited into Company Amegy bank account (as previously set up with Schwab Operations).
6. Billing statements are made available to Clients via their Black Diamond account access. For all clients, the fees deducted from client accounts are also reflected on client account statements from the custodians.
7. Any outside managed accounts are paid automatically to the outside manager and WAMI from Schwab per their agreement.
8. Deliver total fees to Accounting in house to know the amount that will be deposited into Amegy checking account. Company also maintains a copy of client invoices for each quarter.

### 5.8.10 Quarterly Reports

Operations (or other designee) oversee the processing of quarterly reports.

Reports are prepared by Black Diamond generally within the second week following quarter end. Subsequently:

1. An email is sent to Company Operations personnel notifying them the reports are ready to review and approve;
2. An email is sent by the Operations personnel back to Black Diamond that either the reports are approved and can be posted to customer accounts or whether any changes need to be made;
3. The reports are downloaded into the WAMI Quarterly Reports folder and then a random review of several accounts is conducted by the same Operations personnel to determine accuracy;
4. An email would be generated to all applicable customers that their reports and quarterly invoice for the fees to be deducted are posted to their account and available for their access.

### 5.8.11 Review of Accounts and Transactions

Customer trades are reviewed and logged daily by Operations/back office pursuant to the daily download and posting through Schwab. Monthly blotters are generated and reviewed by Compliance. Customer account alerts are both emailed to Operations as well as retrievable in Schwab Advisor Services website for review. Quarterly Reports are spot reviewed by Operations.

In order to ensure customer accounts are consistent with their objectives, a quarterly random review will be conducted of approximately 10 accounts for the following:

* The quarterly billing is the correct percentage, and the correct amount was deducted from the customer account;
* Any unusual account activity report to the Chief Compliance Officer to conduct or designate any further investigation;
* Account statement was sent (available electronically) and/or received by client; and
* Account statement reconciled to Company’s records (and/or the reason for any discrepancies).

In addition, a sampling of the same number of clients will be conducted annually during the internal exam. A log will be maintained as evidence of such review.

## **5.9 Trading Policies and Procedures**

These policies and procedures are adopted to assure:

(1) Fair and equitable treatment of accounts both in priority of execution of orders and in the allocation of securities and the price obtained in the execution of block orders or trades;

(2) Timeliness and efficiency in the execution of orders; and

(3) Accuracy of the records maintained by the Company with respect to trade execution and maintenance of client account positions.

Below is the trading authorization for personnel:

|  |  |
| --- | --- |
| **Type** | **Authorizations** |
| Investment Adviser Representative | Recommend |
| Investment Committee/Portfolio Managers | Recommend, Approve |
| Licensed Trading Department Personnel | Enter, Submit |
| Morris Monroe | Enter, Submit, Approve |

### 5.9.1 General Procedures

All orders may be executed only based on written or computer generated trade orders and entered at the home office. All orders must bear the following information, whether executed or unexecuted:

(1) The name of the broker-dealer who executed;

(2) The terms and conditions of the order or any modification or cancellation, and any special features of the security;

(3) The date, time if applicable, and price at which executed;

(4) The name of the person authorizing the order and the name of the person placing the order;

(5) The account(s) for which entered and the intended allocation of the order among those accounts;

(6) An indication of whether the order is discretionary.

Company also maintains a spreadsheet of all trades with trade information.

### 5.9.2 Priority of Order Fill

Orders generally will be processed and executed on a first‑in, first‑out basis, in the order received by the trading desk, with the following exceptions:

(1) A delay in execution of orders may be appropriate when, in the judgment of the portfolio manager or trader, market conditions in the security to be purchased or sold make such a delay advisable; or

(2) A block execution is anticipated. Execution of orders for a particular security for any client who prohibits the use of block execution of trades may, and sometimes will, be delayed until the execution of any block trade for the security.

### 5.9.3 Block Trades

When a trade is placed for more than one client, the Company may, but need not to, aggregate orders or block trades when the Company believes this will result in more favorable execution. Company’s clients may be included in block trades subject to the criteria listed below:

(1) Accounts that have advisory agreements or standing instructions prohibiting the use of block trades may not participate in the block.

(2) Accounts participating in the block are selected on the basis of cash availability, increase or decrease in sector/security type targets, quality guidelines, duration adjustments, overall positions in the security being traded and the availability of a good substitution security.

(3) Accounts of the Company’s principals, officers, directors or employees may only participate in block trades for ETFs or other Model securities as a participant.

Outside advisor block trades: transactions are batched together for block trades and all applicable clients receive the same average price. All trade and allocation information is contained in their respective Forms ADV Part 2 given to each client or maintained by the Company and available to clients upon request.

### 5.9.4 Allocations

Once trades are uploaded to Schwab, the trades are allocated on a random basis.

For block trades, each trade ticket should state the accounts that will participate in any block trade. If a block order is partially filled, the order will be allocated among the accounts on a pro rata basis in proportion to the intended allocation. All clients must be fairly and equitably treated by any post‑execution allocation of a trade. Block trades in equity securities which are worked over the course of a day will be allocated at an average execution price for that day.

Where appropriate, the Company will allocate fixed income block trades at the average price of the aggregated order.

### 5.9.5 Reallocations

Notwithstanding the foregoing, a trade may rarely be reallocated post‑execution as follows:

(1) *Round Lots*: A block order may, but need not, be reallocated among the accounts in order to round an allocation to a whole lot.

(2) *Deminimus Allocations*: When a block order is partially filled, it may be reallocated among the accounts specified because, in the case of equity securities, less than an appropriate number of shares or, in the case of bonds, less than an appropriate dollar amount of the bond has been obtained for a particular account.

(3) *Unforeseen Circumstances*. A block order may be reallocated among either accounts specified on the trade ticket or other accounts due to unforeseen circumstances, such as those listed above.

All accounts must be fairly and equitably treated by any post‑execution reallocation of a trade.

### 5.9.6 Agency Trades

An agency trade is a trade where Company or an affiliate acts as a broker for its clients by placing a client trade in a market or with another person. Company has affiliated Associated Persons who may affect agency trades for broker/dealer clients through the affiliated broker/dealer only if Company does not receive any compensation for such agency trades other than the transaction fees.

### 5.9.7 Cross Trades

Company may arrange for a cross trade, which occurs when one client buys a security and another client sells the same security to the client buying the security. The security therefore crosses from one client account to another client account. Company will engage in a cross trade only if such trade is in the best interests of each participating client and no client is disadvantaged by such trade. Company will not receive any compensation for facilitating cross trades, other than the transaction-based fees. Client will receive a confirmation with all terms of the cross trade upon completion of the trade or the activity of the trade included on the custodian’s regular customer statement.

### 5.9.8 Agency Cross Trades

An agency cross trade (which is different from both an agency trade and a cross trade) is a securities transaction involving a broker-dealer between two clients managed by the same adviser, where one client sells securities to another client, and the adviser has discretion over only one of the clients and executes the trade on behalf of both clients in its capacity as a broker-dealer. The security therefore crosses from one client account to another client account. Company is not a broker/dealer; however, it has an affiliated broker/dealer. Company may engage in an agency cross transaction if the need arises for a Company client, facilitated through it’s affiliated broker/dealer, and/or it’s affiliated Associated Persons. Such trade must be in the best interests of each participating client and no client is disadvantaged by such trade. Company may receive any transaction fees for such trades, if applicable. Client will receive a confirmation with all terms of the trade upon completion and the activity of the trade included on the custodian’s regular customer statement.

### 5.9.9 Principal Trades

Company is not a broker/dealer and does not conduct principal trades with Clients.

### 5.9.10 Best Execution

Morris Monroe and Compliance have reviewed the following factors regarding Company’s trading processes and the overall effect of best execution related thereto:

1. Company utilizes one broker/dealer for the execution of client general securities transactions through Schwab. Company relies on the best execution practices and representations of Schwab and the SEC Rule 605 monthly reports they make available through their website. These reports will be reviewed and maintained as evidence of review in an excel file for a period of three years.

2. The Company is not a Market Participant nor does it share in any Plan revenues with Market Participants. The Company does not actively seek other broker/dealers for execution and therefore discloses in its Form ADV that clients may pay higher fees or receive better price executions if executed elsewhere.

3. Volume and size of Company trades relative to market are small and therefore deemed not to be an economic benefit to Company or customers to seek alternate brokers. In addition, Company has no directed brokerage accounts.

4. Execution, handling of trades, support and services offered by both brokers is a positive factor for their continued use. However, in the event it becomes necessary to seek alternative sources due to inadequacies in any of these areas, Company may pursue other brokers at that time.

### 5.9.11 Pay-to-Play Activities

The SEC has adopted Rule 206(4)-5 under the Advisers Act that prohibits an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. The rule is targeted at those employees of an adviser whose contributions in the SEC's view raise the greatest danger of quid pro quo exchanges, and it covers only contributions to those governmental officials who would be the most likely targets of pay-to-play arrangements because of their authority to influence the award of advisory business.

The rule also prohibits an adviser from providing or agreeing to provide, directly or indirectly, payment to any third party for a solicitation of advisory business from any government entity on behalf of such adviser. Additionally, the rule prevents an adviser from soliciting from others, coordinating contributions to certain elected officials or candidates, or coordinating payments to political parties where the adviser is providing or seeking government business. Finally, the rule amendments require an adviser to maintain certain records of the political contributions made by the adviser or certain of its executives or employees.   
  
Company does not currently engage in these activities, however, if it proposes to engage in such activities in the future, it shall adopt and implement procedures immediately.

Company and its employees may make political contributions or coordinate with others to make political contributions to Officials running for various governmental offices in which they are entitled to vote.

Periodically, Compliance shall monitor political contributions of Associated Persons of the Company who are "covered associates" by, among other things, searching the following Internet data bases for contributions and matching those contributions to those reported by the employee (if over $250):

* <http://www.fec.gov/finance/disclosure/norindsea.shtml>
* relevant state political contribution data bases

### 5.9.12 Trade Errors

It is the policy of Company to exercise the utmost care when handling client orders and correcting orders when trade errors occur. When a trade error is discovered, the following procedures will be implemented:

1. The Adviser Representative or other employee of Company who discovered the error will immediately report the error to the Chief Compliance Officer or the Compliance Department.
2. The employee who discovered the error will not first attempt to rectify trading errors by him or herself.
3. If appropriate, the Chief Compliance Officer will establish, or instruct the appropriate person to establish, a separate error account at the custodian involved with the error that will be used for error corrections, if applicable.
4. Corrective action will be taken by the Chief Compliance Officer in consultation with the Operations department. For example, Company may arrange for the reversing of the erroneous trade into or out of an error account, or when a security is erroneously sold from a client's account, the security will be purchased in the error account.
5. The party responsible for the error may bear the cost of correcting the error at the discretion of the CCO.
6. Losses in client accounts caused by trades done in error will be reversed.
7. Gains in client accounts caused by trades done in error that are discovered after settlement generally will be credited to the affected clients' accounts.
8. The CCO will ensure the trade error information is maintained in a file documenting the occurrence and correction.
9. Periodically, the CCO or Compliance department shall review the file documenting trade errors to verify that the trade error was corrected fairly and on a timely basis.

These procedures are intended to provide general guidance. Exceptions may be warranted under certain circumstances, provided such exceptions are approved by the CCO.

### 5.9.13 Mutual Fund Share Class Protocol

Company executes mutual fund orders through Schwab as the custodian and broker/dealer. Consequently, it is the general policy of the Company to use Schwab’s One Source platform for mutual funds and ETFs that offer no-load mutual funds and no transaction fees (ETF transaction fees vary depending on whether the client is setup for edelivery). Company does not receive any 12b-1 fees.

## **5.10 Non-Public Information**

Company’s Insider Trading Procedures are designed to prevent the misuse of material, nonpublic information by all Associated Persons. Company has a policy of not acting upon any nonpublic information, be it material or not. It shall be the policy of the Company to require all Associated Persons to provide the Company with a list of all affiliations either directly or indirectly with any publicly registered companies. Such listing is to include the name of the company, the nature of the affiliation, the percentage (%) ownership (either direct or indirect), and the date in which the affiliation first existed.

### 5.10.1 Policies and Procedures

It shall be the policy of the Company to request duplicate confirmations and/or statements from other SEC registered broker/dealers, other than WSC, for each Agent of the Company. Such duplicate account statements shall be reviewed, and cross referenced periodically by Morris Monroe, Compliance, or the designated supervisor, with regards to trading activities in public corporations listed on the individual's disclosure list, if applicable.

Each new client is questioned as to his/her insider status with employers, or any other positions that may offer him/her access to nonpublic information. Clients are asked to notify Company in writing to notify Company immediately of any change in his/her status. Each client considered an insider is informed in writing that the Company will only trade in that/those issues for that client at the client’s specific instruction. Further, the client in question is informed that the Company will not act upon any nonpublic information.

In the event Company is in possession of or becomes aware of an Associated Person’s possession of inside information, no trades will be placed as a result of that information on behalf of clients, the Company, or its employees, and the information will not be divulged.

Agreement with this policy is a condition of employment or association with Company. Evidence of actions contrary to this policy constitutes grounds for immediate termination and prosecution.

All Associated Persons of the Company are expressly prohibited from misusing "inside" or nonpublic "proprietary" information as such terms are defined herein for purposes of this section. No Associated Person may purchase or sell a security or cause the purchase or sale of a security for any account while in possession of inside information relating to that security. Further, no Associated Person may recommend or solicit the purchase or sale of any security while in possession of inside information relating to that security. No Associated Person may disclose inside information to others, except disclosures made in accordance with the Company's policies and procedures to other Company personnel or persons outside the Company (such as the Company's outside legal counsel or the client's attorneys or accountants) who have a valid business reason for receiving such information. Any person engaged in research activities and or corporate finance activities who may become privy to insider information is restricted from acting upon such information and should bring such information to the direct attention of Morris Monroe.

No Associated Person may purchase or sell or cause the purchase or sale of a security for an employee or employee-related or proprietary account of the Company before the investing public has had time to receive and react to material research information, opinions, or recommendations released by the Company relating to such security. Generally, the security will be placed on the Restricted List from the time of release of the material research until public dissemination is judged by Morris Monroe to be complete - generally within 48 hours of release. No Associated Person may purchase or sell or cause the purchase or sale of a security for an employee or employee-related account or a proprietary account of the Company or an account over which an employee exercises investment discretion, while in possession of proprietary information concerning a contemplated block transaction in the security or for a customer account when such customer has been provided such information by any Associated Person.

At his or her discretion, the CCO will place certain securities on a Restricted or Watch List by completing the Restricted or Watch List Form and circulating it to employees. Employees are prohibited from personally, or on behalf of an advisory account, purchasing or selling securities during any period they are on the Restricted List. If Company or any of its investment staff have non-public information about an issuer of public securities, the CCO shall take steps to immediately inform all employees of the securities listed on the Restricted List.

With respect to the Restricted or Watch List, the CCO will ensure the creation and maintenance of documentation that includes:

* the date and time the security was added to and deleted from the list;
* the name of each person who was responsible for the addition or deletion on the list; and
* rationale for placing or deleting the security on either list (optional).

A copy of the Restricted or Watch Lists, if any, shall be made available to all Associated Persons of the Company, via Company’s website. Further any transactions which occur, in an Employee Account or Employee Related Account, which the Company feels may be inappropriate and or otherwise questionable will be investigated by Morris Monroe and inquiries will be made into the circumstances surrounding such transaction.

### 5.10.2 Definitions

**Inside Information** - Certain information received by the Company in the course of its activities may be "inside" information within the meaning of federal securities laws which prohibit the fraudulent misuse of such information in connection with the purchase or sale of securities. For purposes of the Company's policies and procedures, "inside" information includes "material, nonpublic" information provided by the Company by an external source such as a client, prospective client, or other third party with the expectation that the Company will keep the information confidential and use it only for the benefit of the client or prospective client.

Under the Company's policies and procedures, certain "tips" may be treated as inside information. "Tips" are generally material nonpublic information received from persons outside of a client relationship. For example, during the course of gathering information from which to prepare their research reports, research analysts may be provided material, nonpublic information by corporate officials. Associated Persons of the Company who receive information in such circumstances should check with Morris Monroe, who then may contact legal counsel for the Company, before using or disclosing the information.

In addition, the following also apply to insider trading:

* Trading in securities on the basis of non-public information received directly or indirectly from an insider with the knowledge that the insider both breached his or her fiduciary duty by tipping the information and benefited tangibly from breaching the fiduciary duty;
* Having others trade in a Covered Person's behalf while the Covered Person is in possession of material, non-public information.
* Communicating non-public information to others who may then trade in securities or pass on the information to others who may trade in such securities. Such conduct, also known as "tipping," results in liability for the insider of the company or individual who communicated such information (even if such insider does not actually trade himself) and for the person who received the information if he acts on such information or passes it on to others who may act on it.

**Proprietary Information** - Certain information possessed by Associated Persons of the Company is proprietary to the Company. Such information may include unpublished research information, opinions, and recommendations; the Company's security positions; the Company's intentions with respect to trading in its proprietary accounts; the Company's investment or trading strategies or decisions; pending or contemplated customer orders; unpublished analyses of companies, industries or economic forecasts; and analyses done by research personnel of companies that are potential acquirers of other companies or their assets or companies that are possible candidates for acquisition, merger, or sale of assets.

**Material Information** - Information is material if there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to purchase, hold or sell a security. In other words, there must be a substantial likelihood that disclosure of the information would have been viewed by a reasonable investor as having significantly altered the total mix of information made available. Information may be material even if it relates to speculative or contingent events.

Material information may include information about: dividend increases or decreases; earnings or earnings estimates; changes in previously released earnings or earnings estimates; write-downs of assets; additions to reserves for bad debts; expansion or curtailment of operations; increases or declines in orders' new products or discoveries; borrowing; litigation; liquidity problems; management developments; contests for corporate control; public offerings of securities; changes of ratings of debt securities; proposed transactions such as refinancings; tender offers; recapitalizations, leveraged buy-outs, acquisitions, mergers, restructurings or purchases or sales of assets; advance knowledge of unannounced government actions that is likely to have an effect on the market; knowledge of unannounced events that will affect one or more companies in a significant way; or knowledge of unannounced inventions.

**Nonpublic Information** - Unless information has been publicly disclosed, such as by means of a press release, in the Dow Jones or Reuters press services, in a newspaper, in a public filing made with a regulatory agency, in materials sent to shareholders or potential investors such as a proxy statement or prospectus, or in materials available from public disclosure services, Company Associated Persons should assume that all information obtained in the course of their employment by the Company should be considered nonpublic information.

**Securities** - The term securities includes all forms of stock, notes, bonds, debentures, and other evidences of indebtedness, investment contracts, futures and all securities derivative of such securities (i.e. options, warrants, stock index futures).

**Restricted List** - The Restricted List is composed of companies whose securities are subject to research, sales or trading activity prohibitions.

**Watch List** - A watch list (also sometimes called a "grey list") is a current list of securities that generally do not carry trading restrictions, but whose trading is subject to close scrutiny by Company's compliance personnel.

**Employee** - includes all officers, directors and employees, and agents of the Company.

**Employee Account** - includes any personal account of an employee, any joint account in which the employee has an interest, any account in which the employee is a tenant in common with another person; and any other account over which the employee has investment discretion or may otherwise exercise control or in which the employee has a direct or indirect beneficial or financial interest, including the accounts of entities controlled directly or indirectly by the employee, trusts for the benefit of the employee or for which the employee acts as trustee, executor or custodian.

**Employee-Related Account** - includes the following accounts if maintained by the Company; the accounts of an employee's family members including but not limited to, an employee's spouse, children, grandchildren, parents, grandparents, siblings and in-laws; the account of any person who resides with or receives support from the employee; and any account for the benefit of any member of an employee's family other than an account defined by these policies and procedures as an employee account.

### 5.10.3 Chinese Wall Procedures

All Associated Persons should take the following steps to safeguard the confidentiality of inside information:

a) Do not discuss confidential information in public places such as elevators, hallways, restrooms or at social gatherings;

b) To the extent practicable, limit access to the Company's offices where confidential information could be observed or overheard to Company Associated Persons with a business need for being in the area;

c) Avoid using speakerphones in areas where unauthorized persons may over hear conversations;

d) Where appropriate, maintain the confidentiality of client identities by using code names or numbers for confidential projects;

e) Exercise care to avoid placing documents containing confidential information in areas where they may be read by unauthorized persons and store such documents in secure locations when they are not in use;

f) Destroy copies of confidential documents no longer needed for a project or not otherwise required to be maintained under federal securities laws;

### 5.10.4 Specific Trading Limitations

Any prohibited insider trading by an Associated Person violates these procedures, as well as the federal securities laws. Insider trading generally is used to refer to the use of material non-public information to trade securities (whether or not one in an “insider” of the issuing company) or the communication of material, non-public information to others who may trade on the basis of such information.

It is generally understood that, with respect to the Company, Associated Persons are prohibited from doing the following:

* No purchase or sale of securities may be made for an employee or employee-related account if the transaction is prohibited by the Restricted List. Employees should check whether a security is on the Restricted List, maintained on Company’s website if applicable, before making a purchase or sale for an employee or employee-related account.
* With respect to securities on any Company's recommended list, the following transactions may not be made for an employee or employee-related account: short sales or purchases of put options for any purpose within the first three (3) days after the related company or security is placed on the recommended list (with the exception of a mutual fund) and thereafter, only to hedge a position.
* No purchases or sales of securities should be made for an employee or employee-related account based on information learned from customers or derived from customer accounts.
* No purchase or sale of securities may be made for an employee or employee-related account if the employee knows or has reason to know that a security is the subject of undisseminated Company material research.
* Having others trade on the Associated Person’s behalf while the Associated Person is in possession of material, non-public information.
* Communicate non-public information to others then trade in applicable securities or pass on the information to others who may trade in such securities. Such conduct, also known as “tipping,” results in liability for the insider who communicated such information (even if such person does not actually trade in such security) and for the person who received the information if he acts on such information or passes it on to others who may act on it.
* Trade on material, non-public information derived from a tender offer (or any other temporary situation) until all information is publicly disclosed. A tender offer is usually related to a merger or acquisition involving an acquiring company and a target company.
* Place orders on a security for the Associated Person’s account while taking advantage of advance knowledge of pending orders from the Company’s clients.

Morris Monroe has overall responsibility for developing and maintaining policies and procedures for handling inside and proprietary information. Morris Monroe shall be responsible for the implementation of these policies and procedures.

### 5.10.5 Contacts with Financial Analysts

If Company personnel meet with financial analysts who cover particular corporate issuers (which may include management, competitive position, earnings and other analysts' views) no advisory personnel will trade or otherwise act on information about an analyst's sentiment until such information has been publicly disseminated.

### Monitoring Insider Trading

Company is not engaged in any research activity, nor does it trade securities for its own account, Watch and Restricted Lists would be extremely rare, and the majority of client trades involve mutual funds and fixed income products. However, Company acknowledges the potential for Insider trading could still occur. Company monitors employee related accounts and client trades for any unusual activity or obvious outliers. In the event, a questionable activity occurs, Compliance will make reasonable inquiries into and investigate for possible misuse of material, non-public information transactions by employee or the Company. The need for or extent of such an inquiry or investigation of an employee transaction will be determined by reasonable criteria, including consideration of the timing or unusual nature of the transaction, such as whether the employee traded on a short-term basis or in a size or dollar amount larger than his normal trading pattern.

Any investigations initiated will be documented. At a minimum, the investigation record shall include:

* the name of the security;
* the date the investigation commenced;
* an identification of the accounts involved;
* underlying investigative records (*e.g.,* any analyses, interoffice memorandums and employee statements); and
* a summary of the investigation disposition.

## **5.11 Proxy Voting**

Company does not vote proxies on behalf of customers. In addition, Clients are notified as such at the account opening process as evidenced in the Investment Agreement and Form ADV Part 2 as well as disclosed in the Form ADV Part 2 offered annually.

## **5.12 Currency and Foreign Transactions**

It is a policy of the Company not to accept any cash payments for securities purchases or amounts to be credited to a customer's account. In addition, no checks drawn on foreign banks will be accepted. In the event any cash is ever deposited in error or any check drawn on foreign banks is deposited; appropriate action will be taken. All monies accepted by the Company are processed through a Received and Forwarded Blotter and reviewed daily by back office personnel for detection of violations of this section and all compliance procedures as evidenced by an annual internal and initialed log.

## **5.13 Senior Investor Guidelines**

In order to address one of the most significant trends in the Company’s business – the aging of the population and, consequently, the growing number of clients who are at or near retirement age, the Company has adopted the following guidelines when dealing with senior investors:

### 5.13.1 Profile

In addition to the standard review for all accounts, additional attention should be focused on the following:

**Investment time horizon** - Older clients may have a shorter investment time horizon than younger clients. This fact may affect the client’s ability to handle risk. When a senior client incurs investment losses, he or she may not have sufficient time to recoup those losses in the market. At the same time, the American population is living longer. A senior investor’s portfolio may need to fund a retirement that lasts for decades.

**Changes in investment objectives** - As clients retire, they often move from an “accumulation” mode into a “distribution” mode. Therefore, growth may be less important than a reliable income for many older investors.

**Liquidity needs** - Older clients may incur substantial expenses, particularly related to health care costs. These expenses may arise unexpectedly, so it is important for clients to have sufficient liquidity to meet both foreseeable and unforeseeable needs.

**Possible changes in tax status** - As clients retire, their tax status may change. Although it is the client’s responsibility to consult his or her tax professional, Associated Persons should be sensitive to tax considerations.

**Risk tolerance** - As clients’ age and income levels may decrease with retirement, clients’ appetite for assuming investment risks may decline as well. Company must take this into account and manage the account with a degree of risk clients will be comfortable bearing.

In addition, as part of knowing the customer, it is important to ascertain information on the following factors as well:

***Employment:*** *Is the customer currently employed? If so, how much longer does he or she plan to work? Is the client planning to work part-time in retirement?*

***Expenses:*** *What are the customer's primary expenses? For example, does the customer still have a mortgage? Are they planning to travel once retired?*

***Income Needs:*** *How much income does the customer need to meet fixed or anticipated expenses?*

***Savings:*** *How much has the customer saved for retirement? How are those assets invested?*

***Liquidity:*** *How important is the liquidity of income-generating assets to the customer? Does the client have liquid assets to meet anticipated and unanticipated needs?*

***Goals:*** *What are the customer's financial and investment goals? For example, how important is generating income, preserving capital or accumulating assets for heirs?*

***Health:*** *What health care insurance does the customer have? Will the customer be relying on investment assets for anticipated and unanticipated health costs?*

### 5.13.2 Communications with the Public

All communication with the public must be truthful and in good taste, fair and balanced, and not project performance or promise specific results. However the SEC and State regulators are increasingly focused on communications and seminars aimed at senior investors. Based on various studies and “regulatory sweeps,” the regulators have identified a number of potentially inappropriate practices. For example: “High Pressure Sales Tactics.” This may include the use of language such as “Limited Seats Available”, or “You must act now.” Such language would be inconsistent with the Company’s guidelines for communications.

Another example is lavish inducements offered to seminar attendees. These may include expensive meals or fancy door prizes. Meals and entertainment offered to clients must not be lavish. The focus must be on the content of the seminar – not the inducements.

Regulators are also concerned about misrepresentations regarding the nature of the seminar. Statements such as “Educational seminar -- Nothing will be sold” may not be appropriate depending on the material presented. Company policies prohibit any misrepresentations.

Finally, seminar presentations must not contain exaggerated promises, such as guarantees of high returns that cannot be substantiated. Again, Company policies prohibit any misrepresentations or exaggerations in client communications.

Consequently, Company and Associated Persons must adhere to the following procedures as related in senior investors in particular:

• Any seminar, whether geared toward seniors or not, must be approved by Morris Monroe or the Compliance Department only. A Sales Seminar Notice form must be completed along with all materials to be presented, including the invitation, as well as information regarding any speaker(s). If a door prize will be included as part of the seminar, Compliance Department pre-approval is required. Prizes must be of nominal value; and the prize cannot be cash, coins or securities. If a product vendor is reimbursing all or part of the expenses of the seminar, additional procedures apply. A Non-Cash Compensation form must also be submitted, and a representative of the vendor must be present at the seminar, regardless of the amount of reimbursement being provided.

• In addition, any communication geared specifically to a senior targeted audience must be pre-approved by Morris Monroe or the Compliance department.

• All professional designations must be approved by Morris Monroe or the Compliance Department and the use of any “senior specialist” is strictly prohibited.

### 5.13.3 Portfolio Management Considerations

It should also be noted that changes to the investment time horizon, liquidity needs and/or risk tolerance of senior investors may affect portfolio management. Too much risk in order to maximize retirement income as the client approaches retirement; or ignoring “inflation risk” – that is, the risk that client’s investments will not hold up against inflation warrants careful consideration. Certain low-yielding investments may not protect an investor’s assets over time (i.e. a 60-year-old client in excellent health who wishes to retire early and live off his investments. A portfolio consisting of CDs or Treasury Bonds might not hold up against inflation).

Company and Associated Persons need to seek the right balance between preserving assets and allowing for enough growth to fund what could be a long retirement. For clients with a long investment horizon, growth will be an important consideration, while other clients may have health issues that would make preservation and liquidity of existing assets the paramount concerns. One size does not fit all when it comes to managing assets. That is why the strategy should always be tailored for the senior client’s circumstances, goals, level of sophistication, and need for liquidity.

***Prohibited Recommendations -*** *Clients withdrawing equity from their home in order to purchase securities is prohibited.*

### 5.13.4 Diminished Capacity/Elder Abuse/ Red Flags

Diminished capacity and elder abuse are two problems that emphasize the particular vulnerability of many older clients. Diminished mental capacity, such as Alzheimer’s disease and other forms of dementia, may impair a client’s ability to make appropriate decisions regarding his or her portfolio. Elder financial abuse occurs when a person exploits a position of trust or influence to gain power over a senior citizen’s assets. Below are some common “red flags” for diminished capacity and suspected elder abuse, as well as procedures for escalating these issues.

**RED FLAGES**:

**Diminished Capacity**: keep in mind this is not an all-inclusive list nor is one item alone indicative of the condition, however, these red flags are provided for assistance in noting developments that may occur with senior clients:

• Memory loss;

• Disorientation or confusion;

• Difficulty performing simple tasks;

• Difficulty speaking;

• Difficulty with abstract thinking;

• Misplacing items;

• Drastic mood swings;

• Changes in personality;

• Increased passivity; and

• Poor judgment.

For example, a client may call multiple times or discuss certain things over several days without any apparent realization that he or she has already done so. Or, a client may appear disoriented or confused when you meet with him or her. If you notice such symptoms, your client may be suffering from diminished capacity.

**Elder Abuse**: occurs when someone exploits a position of influence or trust over an elderly person to gain access to that person’s assets, funds or property. Be aware of these red flags for potential financial exploitation:

• The elder’s sudden reluctance to discuss financial matters. This includes signs of intimidation or reluctance to speak in the presence of a caregiver;

• Sudden, atypical, or unexplained withdrawals; drastic shifts in investment style; or other sudden changes to the elder’s financial situation;

• Abrupt changes in wills, trusts, or power of attorney;

• Changes in beneficiaries on insurance policies or IRAs;

• Client is concerned or confused about missing funds in his or her account;

• Unusual or first-time wire transfers, especially to foreign countries;

• The elder is fearful of eviction or nursing home placement if money is not given to a caretaker; and

• Elders who appear to be receiving insufficient care despite having money.

• Increasing lack of contact with and interest in the outside world; and

• The elder’s admission of financial or material exploitation or suspected exploitation.

Tactics may include:

- Cashing an elderly person’s checks without authorization or permission;

- Forging an older person’s signature;

- Misusing or stealing an older person’s money or possessions;

- Coercing or deceiving an older person into signing documents (for example, a contract or will); and

- Improperly using a conservatorship, guardianship, or power of attorney.

For example, a caretaker coerces an elderly client to transfer cash to her. The caretaker threatens to have the client committed to a nursing home if he refuses.

An elderly client grants power of attorney to her son. The son makes speculative investments – hoping to increase his inheritance but ignoring his mother’s need for current income.

An elderly client requests a large wire transfer to make a “good faith” payment to secure his winnings in a lottery.

### 5.13.5 Escalation Procedures

The Company strongly recommends Associated Persons at the account opening stage to encourage all clients to prepare for the future (power of attorney, guardianships or conservatorships, etc). Obtain from the client a Trusted Contact and specify why and when the Company may contact them. Inform the client that in addition to the SEC 17a-3 letters they will receive, to keep us informed of any changes to their circumstances.

However, in the course of the relationship with a client, if an Associated Person even *suspects* abuse or diminished capacity, it is enough reason to escalate these procedures:

• First report any instances to both the designated supervisor **as well as** the Compliance Department.

• An incident report will be completed and documented in WinOps (as well as in Gorilla, if desired, but not required);

• If determined by Morris Monroe or Compliance, the account may be restricted from any further recommendations in the account(s) and will be noted in WinOps as well as communicated to the Associated Person, the designated supervisor, and applicable backoffice personnel;

• Determine if an alternate contact is on file and whether that person(s) should be notified;

• The Compliance Department will be responsible for reporting any abuse to the proper authorities.

* Determine if the Company should contact the SEC and/or file the Texas State Securities Board’s Financial Exploitation Form (found at <https://www.ssb.texas.gov/sites/default/files/ReportOfFinancialExploitation_Form_Nov2017.pdf>. Although not required, the TSSB strongly encourages firms to do so.

### 5.13.6 Supervision

It is the responsibility of each designated principal to oversee the activities of their Associated Person’s senior investor activities. However, in the event of any escalation issue, it will be the responsibility of Morris Monroe or Compliance to ensure that the proper procedures are followed. In addition, any incidences will be recorded in WinOps and in a central file location for the purposes of the Company’s books and records maintenance. A review of any reported incidences will be documented in the internal examination as well.

### 5.13.7 Training

As part of the annual compliance meeting conducted by Woodlands Securities Corporation, a review of the Company’s procedures will be conducted and an opportunity for Associated Persons and staff to ask questions and discuss any related client examples that may be applicable.

## **5.14 ERISA**

Company will be a "fiduciary" to a retirement plan (“Plan”), which would subject Company to regulation under ERISA, if:

* Company directly manages or sub-advises the retirement plan; or
* Company directly manages or sub-advises an investment vehicle in which the retirement plan invests.

If a client that is a Plan invests in the interests of any investment vehicle that is managed by the Company (i.e. a hedge fund), then that investment vehicle will be deemed to hold "Plan Assets," unless:

* The interest is a "publicly-offered security;"
* The interest was issued by an investment company registered under the Investment Company Act of 1940;
* The entity is an "operating company" (which includes a venture capital operating company and a real estate operating company);
* Equity participation in the Plan investors is not "significant;" or
* The interest is a debt instrument.

### 5.14.1 Fiduciary Status

On April 8, 2016, the U.S. Department of Labor adopted its fiduciary rule ("DOL Fiduciary Rule"). The "applicability date" of the DOL Fiduciary Rule is June 9, 2017. Prior to accepting retirement plan and IRA accounts, Company will seek advice from outside counsel regarding the applicability of the DOL Fiduciary Rule to the Company. Particular procedures will be updated closer to the applicability date as it is expected that there will be modifications to the DOL Fiduciary Rule prior to that date.

On June 9, 2017, the Department of Labor's Impartial Conduct Standards went into effect. The Labor Department has delayed full implementation of the fiduciary rule including the Best Interest Contract Exemption and the Principal Transaction Exemption until July 1, 2019. Until that time, Company is only subject to the Impartial Conduct Standards when it acts as a DOL Fiduciary to a particular client.

|  |
| --- |
| The Impartial Conduct Standards generally require that advisers subject to ERISA:   * provide investment advice that is in the client's best interest, * receive no more than reasonable compensation, and * avoid misleading statements to investors about recommended transactions. |

When providing investment advice as an ERISA Fiduciary, Company will provide such advice and recommendations in a manner that meets the Impartial Conduct Standards.

Advice is in the "best interest" of the retirement investor if it reflects the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims, based on the investment objectives, risk tolerance, financial circumstances, and needs of the retirement investor, without regard to the financial or other interest of the adviser, or any affiliate, related entity or other party.

When providing such advice, Company will not receive compensation that is in excess of reasonable compensation (within the meaning of ERISA section 408(b)(2) and Code section 4975(d)(2)) as a result of the recommendation.

Furthermore, when providing such advice, Company will not make materially misleading statements to the retirement client about the recommended transaction, fees and compensation, material conflicts of interests and any other matters relevant to the retirement client's investment decisions.

* 1. Prior to accepting a new client, Company will verify whether the client is one of the following:
* Retirement plan
* Representative acting as a fiduciary for a retirement plan
* Retirement fiduciary plan participant
* Retirement plan beneficiary
* Individual retirement account (IRA) owner
  1. If one of the above types of clients, the DOL Fiduciary Rule will apply to Company if it provides "covered investment advice" to the client for a "fee or other compensation."

3. "Covered investment advice" is:

* a "recommendation" to a plan, plan fiduciary, plan participant and plan beneficiary or IRA owner as to the advisability of buying, holding, selling or exchanging securities or other investment property, including recommendations as to the investment of securities or other property after the securities or other property are rolled over, transferred or distributed from a plan or IRA; or
* a "recommendation" as to the management of securities or other investment property, including, among other things, recommendations on investment policies or strategies, portfolio composition, selection of other persons to provide investment advice or investment management services, selection of investment account arrangements (*e.g.,* brokerage versus advisory); or recommendations with respect to rollovers, transfers, or distributions from a plan or IRA, including whether, in what amount, in what form, and to what destination such a rollover, transfer, or distribution should be made.

A "recommendation" is a communication that, based on its content, context, and presentation, would reasonably be viewed as a suggestion that the advice recipient engage in or refrain from taking a particular course of action.

4. Company will deem the following types of relationships to constitute "recommendations:"

* Making recommendations while representing or acknowledging that the Company or its adviser personnel is acting as a fiduciary within the meaning of ERISA or the Internal Revenue Code (Code);
* Rendering advice pursuant to a written or verbal agreement, arrangement or understanding that the advice is based on the particular investment needs of the advice recipient; or
* Directing the advice to a specific recipient or recipients regarding the advisability of a particular investment or management decision with respect to securities or other investment property of the plan or IRA.

5. "Fee or other compensation, direct or indirect" means any explicit fee or compensation for the advice received by the person (or by an affiliate) from any source, and any other fee or compensation received from any source in connection with or as a result of the recommended purchase or sale of a security or the provision of investment advice services including, though not limited to, such things as commissions, loads, finder's fees, and revenue sharing payments. A fee or compensation is paid "in connection with or as a result of" such transaction or service if the fee or compensation would not have been paid but for the transaction or service or if eligibility for or the amount of the fee or compensation is based in whole or in part on the transaction or service.

6. Company will not deem the following to be within the definition of "recommendations" subjecting the Company to the fiduciary rule by engaging solely in the following activities:

1. Education
   * Plan information
   * General financial, investment, and retirement information
   * Asset allocation models
   * Interactive investment materials
2. General Communications
   * general circulation newsletters
   * commentary in publicly broadcast talk shows
   * remarks and presentations in widely attended speeches and conferences
   * research or news reports prepared for general distribution
   * general marketing materials
   * general market data including data on market performance, market indices, or trading volumes, price quotes, performance reports, or prospectuses
3. Marketing   
   Making available to a plan fiduciary of a plan, without regard to the individualized needs of the plan, its participants, or beneficiaries, a platform or similar mechanism from which a plan fiduciary may select or monitor investment alternatives, including qualified default investment alternatives, into which plan participants or beneficiaries may direct the investment of assets held in, or contributed to, their individual accounts, provided:
   * the plan fiduciary is independent of the Company who markets or makes available the platform or similar mechanism, and
   * Company discloses in writing to the plan fiduciary that the Company is not undertaking to provide impartial investment advice or to give advice in a fiduciary capacity.
4. Selection and Monitoring
   * Identifying investment alternatives that meet objective criteria specified by the plan fiduciary (*e.g.,* stated parameters concerning expense ratios, size of fund, type of asset, or credit quality), provided that the Company when identifying the investment alternatives discloses in writing whether Company has a financial interest in any of the identified investment alternatives, and if so the precise nature of such interest;
   * In response to a request for information, request for proposal, or similar solicitation by or on behalf of the plan, identifying a limited or sample set of investment alternatives based on only the size of the employer or plan, the current investment alternatives designated under the plan, or both, provided that the response is in writing and discloses whether Company when identifying the limited or sample set of investment alternatives has a financial interest in any of the alternatives; and
   * Providing objective financial data and comparisons with independent benchmarks to the plan fiduciary.

Company will review the ERISA plan instrument, the plan's trust agreement, and Company's agreement with respect to the plan to:

* Identify who is responsible for administering the plan and who has other responsibilities;
* Verify that Company has been properly appointed to manage the plan's assets; and
* Identify all stated objectives and restrictions governing the plan account.

Pursuant to its fiduciary responsibilities according to Title I of ERISA, Company will:

* Act solely in the interest of, and for the exclusive benefit of the plan client and plan client assets;
* Perform all duties with the level of care, skill, and diligence that a prudent expert must use when conducting similar business. To act prudently, Company will (i) consider all available alternatives; (ii) evaluate all the facts on each investment and investment strategy; (iii) consider how the investment fits into the overall goals of each plan client; and (iv) obtain the best value for all services supplied to the plan client;
* Ensure that assets of each plan client are sufficiently diversified; and
* Act in accordance with the applicable plan documents.

### 5.14.2 ERISA 408(b) filings *(eff 07/02/12)*

Company will monitor whether it is a "covered service provider" under ERISA, a status if obtained will require it to make certain disclosures. Company is considered a covered service provider when the following conditions exist:

1. It has a contract or an arrangement with a covered plan;
2. It reasonably expects to receive $1,000 or more in direct or indirect compensation under an arrangement involving the covered plan; and
3. It provides "covered services."

“**Covered services**” most relevant to registered advisers are:

* Services provided directly to a plan as a fiduciary under ERISA Section 3(21), which would generally include an investment adviser providing advisory services to a plan or participants in a plan under Section 3(21)(A)(ii);
* Services provided directly to a plan as an investment adviser registered under the Investment Advisers Act of 1940 or state law, which would include registered investment advisers providing services that might not constitute fiduciary services; and
* Consulting and investment advisory services if the investment adviser reasonably expects to receive "indirect compensation" (as defined in the regulation).

"**Consulting**" services are those that relate to the development or implementation of investment policies or objectives or the selection or monitoring of service providers or plan investments.

Company may very well likely fall within "covered service providers" under one or more the above categories because it:

* Provides "direct" investment advice;
* Is a fiduciary under ERISA; and
* Is registered under the Advisers Act and provides services covered by that registration.

In addition, Company will be a covered service provider if it receives indirect compensation and provides such consulting services as:

* Assisting with the development of a plan's investment policy;
* Helping with the selection or monitoring of the recordkeeper; and
* Providing information to assist a fiduciary in monitoring a plan's investments.

“**Covered plan**” includes an employee pension benefit plan or a pension plan under ERISA 3(2)(A), including:

* Defined contribution plans
* Defined benefit plans
* ERISA 403(b) arrangements

#### 5.14.2.1 Disclosure

If Company is subject to Rule 408(b), it must provide the following disclosure in writing to covered plans:

* Description of services to be provided;
* Status of Company (*e.g.,* registered investment adviser, fiduciary or both);
* All direct compensation to be received (either in aggregate or by service);
* All indirect compensation to be received (describing services and payor);
* Any related compensation if set on a transaction basis, or charged directly against a plan's investment and reflected in the net asset value of the investment;
* Any termination compensation, including how any prepaid amounts will be calculated and rebated; and
* Description of the manner in which it receives the fees (*e.g.,* billed or deducted).

If Company provides an investment product that holds plan assets, it will provide the following additional disclosures:

1. Description of any compensation that will be charged directly against the amount invested;
2. Description of any operating expenses (*e.g.,* expense ratio); and
3. Description of any other ongoing expenses.

Company may seek to comply with some or the entire disclosure obligation by providing Part 2A of its Form ADV and incorporating the Form by reference and by cross-referencing other disclosure documents made available to clients.

#### 5.14.2.2 Compensation

Company must describe:

* The direct and indirect compensation to be received by it and its affiliates and sub-advisers. Direct compensation means "compensation" (*i.e.,* anything of monetary value, such as money, gifts, awards and trips, but excluding non-monetary items of $250 or less received during the term of the contract or arrangement) that is received directly from a plan. Indirect compensation is "compensation" that is received from any source other than the plan, the plan sponsor, the covered service provider, an affiliate of the service provider or a subcontractor of the service provider;
* the manner of payment, *e.g.,* whether it will bill the plan, deduct fees from plan accounts or reflect a charge against the plan investments; and
* any compensation Company reasonably expects to receive in connection with termination of the contract (*e.g.,* a surrender charge) and how prepaid amounts will be calculated and refunded upon termination of the contract (*e.g.,* if Company charges in advance for a particular period, *e.g.,* quarterly).

#### 5.14.2.3 Changes in Information

Company will disclose any material change to the required information as soon as practicable but in any case no later than 60 days from the date on which Company has knowledge of the change. Company may take additional time in extraordinary circumstances.

#### 5.14.2.4 Reporting

Company will disclose, upon written request, any other information relating to compensation received in connection with the arrangement, if it is required for the investing plan to comply with the reporting and disclosure requirements of ERISA and the regulations, forms and schedules issued thereunder. Company will provide such information not later than 30 days after receipt of a written request from the responsible plan fiduciary or plan administrator unless the disclosure is precluded due to extraordinary circumstances beyond Company’s control. In that case, it will disclose the information as soon as practicable.

#### 5.14.2.5 Agreement

In each agreement with a covered person, Company will describe the services it provides.

### 5.14.3 Prohibited Transactions

With respect to Plan clients, Company will not engage in any prohibited transactions unless an exemption is available. The two categories of prohibited transactions are: (1) transactions with "parties-in-interests;" and (2) transactions with fiduciaries. A fiduciary of a plan may not cause the plan to engage in a transaction if the fiduciary knows or should know the transaction constitutes a direct or indirect prohibited transaction under ERISA. A fiduciary that engages in a prohibited transaction is subject to an excise tax of 15% per year of the amount involved until the transaction is undone. If the transaction has not been undone within 90 days of the imposition of the 15% excise tax, the excise tax increases to 100% of the amount involved.

Company will not use its authority, control and responsibility to cause a Plan client to:

* Pay an additional fee to itself or an affiliate to provide a service; and
* Enter into a transaction involving Plan client assets that is undisclosed whereby Company or an affiliate will receive compensation from a third party in connection with such transaction.

### 5.14.4 QPAM

If Company meets the definition of "qualified professional asset manager" (QPAM), it may be able to enter into, on behalf of the Plan client, certain prohibited transactions. These exemptions are set forth in PTCE 84-14.

Company will be a QPAM if:

* It is an SEC-registered investment adviser;
* It has total non-proprietary client assets under management in excess of $85,000,000;
* It has shareholders' or partners' equity in excess of $1,000,000, or all of its liabilities are paid, including liability from breach of fiduciary duty guaranteed by person controlling, controlled by, or common control with the QPAM (if that person has shareholders' or partners' equity in excess of $1,000,000, a bank, S&L or insurance company, or a broker-dealer registered with the SEC with a net worth in excess of $1,000,000);
* It acknowledges in a written management agreement that it is a fiduciary to the Plan client; and
* None of its affiliates and none of its 5% or more owners within the last 10 years have been convicted of certain enumerated felonies or released from prison in connection therewith.

### 5.14.5 Bonding

The Chief Compliance Officer will check ERISA and applicable Department of Labor rules to see if its activities with respect to plan clients holding plan assets require the Company to obtain a bond. If so, the CCO will arrange for Company to obtain appropriate coverage. Generally, Company would need to be bonded against acts of fiduciary dishonesty in an amount equal to the lesser of:

* 10% of the Plan client assets handled; or
* $500,000 ($1,000,000 if the Plan client assets consist of "employer securities").

Each bond shall:

* Protect the Plan client from losses incurred by fraudulent or dishonest acts performed by Company officer or employee; and
* Have a corporate surety company that meets Department of Treasury regulations.

Currently, the extent of Company’s role to ERISA plans is to design and manage models made available to Plan participants (who have the option to choose such models or not) and therefore, so do not meet the need for bonding.

## **5.15 New Products**

The Company will utilize the following guidelines when offering new products or existing products that are significantly modified. Morris Monroe will be responsible for reviewing and approving new products and the development of these procedures designed to avoid and detect conflicts and meet any regulatory requirements.

Once the determination has been made that a product constitutes a new product to the Company or its customers (by examining criteria such as whether it is offered to a new class of investors, offered by Agents new to the product, involves material modifications to an existing product, involves material operational or sales practice changes, or involves any conflicts) a review process will be conducted to determine whether a new product will be offered for sale.

At a minimum, the following questions will be addressed and answered as part of the review process:

Who is the target investor – general or limited (if limited, what are the limitations)?

Is this product only offered by the Company or is it available from other competitors?

Which Agents will offer the product and are any particular licenses required?

Are there any particular conditions or limitations for the product? (Only accredited investors or have a particular objective or risk tolerance, sophistication level, set percentage of net wealth limit, etc).

What is the products investment objective and what other products offer the same objective with similar or less risk?

What are the features of the product (benefits and risks – do the risks outweigh the benefits)?

How liquid is the product and is there a secondary market?

Are there any market or performance factors that determine the product’s return?

What are the fees, sales charges, expenses, legal and tax implications, etc to the investor and how do they compare to other products offered by the Company or competitors?

Is compensation to Agents any different?

Are there any conflicts of interest arising from the sale of the product between the customer and Agent or the Company? If any exist, how will they be addressed and/or disclosed to the potential investor?

What is the complexity of the product and how does that affect both the potential investor’s understanding, suitability, and/or training of the product?

How will the Company and its agents offer the new product?

Is there a specific time period for the product or will it be offered continuously? If continuous, what periodic review or monitoring must be conducted if the product is approved?

Is there a Company Product Disclosure Form or a Product Sponsor disclosure form that will be provided to the potential investor to disclose risks, charges, fees, etc?

What product or sales material will be provided?

Are there any other individuals assessing the new product’s features and complexity and what are their qualifications?

Will there be any initial or ongoing training for Agents, back office, principals, etc. (when and how)?

Will the Company’s current systems support the new product or will new ones have to be created and initiated?

Are there any conditions that must exist for the continuation of the product?

What are the regulatory requirements or implications surrounding the new product?

Are there any other issues that need to be addressed that may be specific to this new product?

The review conducted by the Company (and the subsequent outcome) will be maintained as part of its books and records for as long as the new product is offered and then for a period of three years thereafter.

Any applicable disclosures or conflicts of interest regarding the Company and or its Agents will be disclosed in the current Form ADV Part 2.

## **5.16 Conflicts of Interest**

Company shall identify conflicts of interests that arise from time to time. Possible areas where conflicts of interest may arise include:

* Affiliated company transactions
* Agency cross and cross trades
* Allocation of trades
* Brokerage placement
* Fee differentials
* Gifts and entertainment
* Multiple layers of fees
* Outside business activities
* Performance-based fees
* Personal trading
* Proxy voting
* Side-by-side management of accounts
* Soft dollar practices
* Third-party relationships (e.g., service providers)
* Trade errors

Steps to identify conflicts of interest will include:

* Testing
* Interviewing key personnel
* Reviewing financials
* Reviewing employee e-mails

Company shall consider any and all of the following actions designed to eliminate, mitigate or otherwise address conflicts:

* Limit conflicts;
* Assess disclosure requirements, including how and where to make such disclosure (Form ADV, advisory agreement, offering documents, or direct client mailing) and when to make such disclosure (i.e., in advance or after the event);
* Monitor conflicts;
* Mandated regulatory responses:
  + Principal trades (Advisers Act Section 206(3))
  + Agency and cross trades (Advisers Act Section 206(3) and Rule 206(3)-2)
  + Cash referral arrangements (Advisers Act Rule 206(4)-3)

## **5.17 Disclosures**

Company will provide the following disclosures as required:

### 5.17.1 Form ADV

Company shall file an amended Form ADV Part 1 within 90 days of its fiscal year end (12/31) through the IARD electronic filing system. Laura Hendricks or Compliance department is the person responsible for ensuring the timely and accurate filing of Form ADV. Company shall provide its Part 2A firm brochure disclosure document at account opening and offer annually thereafter. Beginning after March 31, 2011, the Part 2A firm brochure will be offered to clients annually along with a summary of any material changes within 120 days after Company’s fiscal year end, 12/31 (within 150 days of fiscal year end in 2011 only). Company will deliver any amended or interim Part 2A firm brochure if there is new or changed information related to a disciplinary or legal event. If there are no material changes to summarize in a particular year, then there is no requirement to deliver a summary or updated brochure for that year.

### 5.17.2 Privacy Notice

Company shall provide its Privacy Notice

* At the account opening;
* Maintain the Notice on its website.
* Annually, unless Company meets the following two conditions:
  + Company does not disclose nonpublic information to third parties (*e.g.,* sharing in connection with marketing activities vs. sharing solely to service customer accounts), other than disclosure permitted under exemptions available under the Gramm-Leach-Bliley Act; and
  + There has been no change in policies regarding disclosing nonpublic personal information from the last notice sent to customers. Any notices sent to clients will be maintained as part of Company records.

### 5.17.3 Code of Ethics

Company shall provide its Code of Ethics

* At the account opening as part of its Form ADV 2 disclosure document
* Maintain a summary on Company website;
* Offer annually thereafter; and
* Upon written request.

### 5.17.4 Balance Sheet

If Company requires clients to prepay $1,200 or more for its advisory fee six months or more in advance, Company will provide clients with its most recent fiscal year-end balance sheet. Or if a client requests a copy of Company’s balance sheet in writing, Company will provide a recent copy dated within 60 days of the request.

### 5.17.5 Business Continuity Plan Summary

Company shall provide its BCP Summary

* At the account opening as part of the New Account Form disclosures;
* Maintain a copy on Company website;
* Offer annually thereafter; and
* Upon written request.

### 5.17.6 Customer Identification Program

Company shall provide information regarding procedures and requirements to collect and review certain client identification information at the account opening. Company also posts a notice in the lobby disclosing the information Company is required to collect.

### 5.17.7 SEC Rule 17a-3

Company shall provide the review of a customer’s financial and objective information within 30 days of opening an account and every three years thereafter. Such information shall also include a description of investment Objectives and Risk Tolerance. In addition, a description of the Objectives and Risk Tolerance will also be provided at the account opening.

### 5.17.8 Solicitor/Agent Disclosure

Company shall disclose to each customer introduced by a Solicitor/Agent that such Solicitor/Agent is receiving a portion of the management fee collected by Company and the applicable percentage they receive.

## **5.18 Closed Accounts**

For Closed Accounts:

1. Pull File and complete Terminated Account Checklist;

2. Enter Notes in Gorilla;

3. Enter information into WAMI – Terminated Accounts excel spreadsheet;

4. Ensure properly processed in Black Diamond, Portfolio Center, RedBlack, and WinOps;

5. Place in WAMI Closed files (maintained for 6 years after closing). .

# 6. INVESTMENT AGREEMENT/ CLIENT QUESTIONNAIRE

## **6.1 Introduction**

An investment advisory contract governs the relationship between the adviser and its client, including the fee that the client pays the adviser for its services.

The Investment Advisers Act of 1940 expressly regulates only one kind of fee - the performance fee. A performance fee is a fee charged by an adviser based upon the capital gain or appreciation of a client's account. A fee based upon the client's assets under management is not deemed to be a performance fee. Performance fees are generally permissible only for accounts of high net worth individuals (i.e., with a net worth exceeding $1,000,000).

Other types of fees such as a flat fee, asset-based fee or hourly fee need only be reasonable, fair and fully disclosed to clients. Company’s investment advisory contract (“Investment Agreement”) discloses said fees and establishes Company’s discretion to place securities orders for the client. Generally, an investment adviser is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's permission.

Company will enter into a written investment advisory contract with each of its clients for whom Company acts as an investment adviser or manages any investment or trading account. Pursuant to Section 205(a)(2) of the Investment Advisers Act of 1940, the Investment Advisory Contract between the Company and each client will contain a provision prohibiting the assignment of the contract without the consent of the client.

Company generally will use its standard form of investment advisory contract below as referred to as the “Investment Agreement.” Included in the Investment Agreement are the following:

* Exhibit A - Client Investment Questionnaire: to ascertain client's financial status and goals and to help determine what model or type of account to assign: and
* Exhibit B - Solicitor/Agent Disclosure: the Agent who solicited the account is disclosed and any fee that will be paid to said Solicitor/Agent.

Morris Monroe or Chris Moss have authority to sign the Investment Agreement on behalf of Company.

## **6.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Morris Monroe/CCO, Chris Moss |
| **Statutes/Rules** | * Rule 204-2 and Sections 205(a)(2) and 206 of the Investment Advisers Act of 1940 |
| **Frequency** | * Each time Company obtains a new client * Each time Company bills its clients for advisory services |
| **Records** | * Originally Executed Investment Agreement * Form ADV 2 |

Woodlands Asset Management, Inc.

## **6.3 Investment Agreement**

The Undersigned (“Client”) hereby retains Woodlands Asset Management, Inc., (“WAMI”) to act as program manager of Client’s account (“Account”) in accordance with the following terms and conditions (“Agreement”).

**1.** **Investment Management:** WAMI is to direct the program and the investment and the re-investment of the securities, cash and/or other investments held in the Account in accordance with Client’s investment objectives as stated in the Client Investment Objective Questionnaire attached hereto. Consistent with Client’s investment objectives, investments may be made in securities of any kind, including, but not limited to, common and preferred stocks, mutual funds, corporate, municipal or government bonds, notes or bills (“securities”). All or a portion of the Account may be held in cash or cash equivalents including securities issued by money market mutual funds.

Client understands that WAMI may engage one or more independent investment advisors (“Advisor”) to invest all or a portion of the assets in the Account. Each such Advisor shall have the same authority which WAMI is granted to invest and reinvest the cash, securities, and/or other investments held in the Account. Except as specified herein, WAMI shall not be responsible for day-to-day investment decisions made by Advisors.

When WAMI engages an Advisor or transfers Client’s assets from one Advisor to another, WAMI is not required to notify Client. It is understood, that WAMI need not seek or obtain Client’s concurrence. Client understands that an Advisor’s past performance is not necessarily indicative of future performance, and in that regard, WAMI will not be expected to discuss with Client whether a change in Advisors is warranted unless WAMI determines, based on its review at quarterly intervals, that the Advisor fails to meet certain minimum standards. Client may request in writing an Advisor change and WAMI will implement that change as soon is reasonably practicable.

In connection with the advisory services being provided to Client, WAMI and any Advisor are entitled to rely on the financial and other information contained in the Client New Account Information form and Client Investment Objective Questionnaire attached hereto. Client agrees to inform WAMI in writing of any material change in Client’s circumstances which might affect the manner in which Client’s assets should be invested and to provide WAMI with any such information as it shall reasonably request.

**2. Other Services to be Provided:**  Client (or its designated agent) will be furnished with confirmations of Account transactions, periodic account statements, and a “Quarterly Review” of the Account detailing Account performance, positions and activity.

**3. Affiliations:** WAMI president, Morris L. Monroe, is also president and a registered representative of Woodlands Securities Corporation (“WSC”). WSC is registered with the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC). In addition, WSC is a fully disclosed broker/dealer and maintains a correspondent relationship with a New York Stock Exchange member firm, Hilltop Securities, Inc. Pursuant to Section Six (6) of this Agreement, “Execution Services,” WAMI may affect transactions for the purchase and/or sale of securities and other investments through WSC and therefore be entitled to compensation for its services.

**4. Fees:**  Client will compensate WAMI on a quarterly basis for its services in accordance with the fee schedule set forth below. This fee includes all fees or charges of WAMI. It may not reflect charges associated with brokerage commissions charged by a Broker/Dealer selected by WAMI including WSC or other fees and expenses as described in WAMI’s Form ADV Part 2 as provided to Client.

The standard annual fee is 2.5% of the asset value of the account up to the first $1 million, 2.0% on the next $1.0 million, and 1.0% thereafter. Annual Fee: \_\_\_\_\_%. **Initials** \_\_\_\_\_\_, \_\_\_\_\_\_, \_\_\_\_\_\_.

The standard annual fee for fixed income accounts is 1.5% of the asset value of the account up to the first $5 million, 1.0% on the next $5 million, and .75% thereafter. Annual Fee: \_\_\_\_\_%. **Initials** \_\_\_\_\_\_, \_\_\_\_\_\_, \_\_\_\_\_\_.

Accounts may be charged a one-time setup fee, which will be charged to the account after acceptance by WAMI and the Client and is not refundable upon later cancellation by either Client or WAMI. Under certain conditions it may be credited toward the first quarterly fee charged to the Account.

The initial fees will start accruing on the date the Account is accepted by WAMI (“opening date”) and will be based on the Account asset value on that date. The period which such payment covers will run from the opening date through the last business day of the then current calendar quarter, and the fee will be pro-rated accordingly. Thereafter, the quarterly renewal fee will be based on the Account assets value on the last business day of the previous quarter and will become due the following business day. If additional cash, securities, or other investments are accepted for management in the Account during any quarter, an additional fee, pro-rated for the number of days remaining in the fee period and covering the total value of the accepted assets, may be charged at the sole discretion of WAMI and if charged will become due on the date of such acceptance. Client authorizes WAMI to deduct any and all fees when due from the assets contained in the Account. The fee schedule specified herein may be modified or changed by WAMI, but only upon written notice to Client.

The fee described herein does not include certain costs or charges associated with securities transactions, including dealer markups or markdowns in principal transactions, odd-lot differentials, exchange fees and transfer taxes mandated by law and if applicable, certain prototype/custodial fees in connection with ERISA Services. In addition, brokerage commission incurred because an Advisor chooses to effect securities transactions for the Account with or through a broker/dealer will be separately charged to the Account. When Client transfers in an account with existing securities, all commissions incurred (liquidating existing positions) will be charged at the standard rate of the broker/dealer.

**5. Trading Authorization:** Client hereby grants WAMI or any Advisor engaged by WAMI complete and unlimited discretionary trading authorization with respect to the Account and appoints WAMI and the Advisor as agent and attorney-in-fact with respect to same. Pursuant to such authorization, WAMI or the Advisor, may, in their sole discretion and at Client’s risk, purchase, sell, exchange, convert and otherwise trade the securities and other investments in the Account as well as arrange for delivery and payment in connection with the above and act on behalf of the Client in all other matters necessary or incidental to the handling of the Account.

This trading authorization is a continuing one and shall remain in full force and effect until terminated by Client or WAMI pursuant to the provisions of Section Eleven (11) of this Agreement.

By reason of its investment services or other activities, WAMI may from time to time acquire confidential information. Client acknowledges and agrees that WAMI will not be free to divulge to Client or any Advisor, or to act upon such information with respect to its advisory activities, including its activities with respect to this Agreement.

**6. Execution Services:** Pursuant to the Trading Authorization contained in Section Five (5) above of this Agreement, WAMI or an Advisor may effect, in the absence of written instruction to the contrary from Client, transactions for the purchase and/or sale of securities and other investments in the Account through or with brokers or dealers, including WSC, as they in their sole discretion deem appropriate.

Where such transactions will be affected through WSC, WSC may act, in the absence of instructions to the contrary, on an agency or principal basis, to the extent permitted by law and subject to applicable restrictions and will be entitled to compensation for its services. Such transactions will be effected, other than through WSC, only when the Advisor reasonably believes in good faith that such other broker or dealer may affect such transactions at a price, including any brokerage commission or dealer mark-up or mark-down that is more favorable to the Account than would be the case if the transaction were effected through WSC in accordance with the fees described in this Agreement. In the selection of such broker/dealers, WAMI and Advisor may consider all relevant factors, including the execution capabilities required, the importance of speed, efficiency or confidentiality, familiarity with sources from whom or to whom particular securities might be purchased or sold, as well as any other relevant matter. WAMI and Advisor may select broker/dealers which provide either of them with research or other transaction-related services and such research and other services may be used for their own and for other client accounts to the extent permitted by law.

In connection with transactions effected for the Account, Client authorizes WAMI, Broker/Dealer, and Advisor to establish and trade accounts in its name with members of national or regional securities exchanges and the Financial Industry Regulatory Authority (FINRA) including “omnibus” accounts established for the purpose of combining orders for more than one client, where it is appropriate to do so.

Pursuant to the provisions of Section 11(a) of the Securities and Exchange Act of 1934 and Rule 11a2-2(T) thereunder, certain transactions effected by Broker/Dealer for clients on a national or regional securities exchange must be executed through a floor broker unaffiliated with WAMI or WSC. Client specifically consents, in the absence of contrary instructions, to the Broker/Dealer to act on behalf of the Account when permitted by applicable law.

In no event will WAMI or Advisor be obligated to effect any transaction for Client which they believe would be in violation of any applicable state or federal law, rule or regulation, or of the rules or regulations of any regulatory or self-regulatory body.

**7. Valuation:** In computing the market value of any securities or other investments in the Account, securities listed on any national securities exchange shall be valued, as of the valuation date, at the closing price on the principal exchange on which they are traded. Any other securities or investments in the Account shall be valued in a manner determined in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in the Account.

**8. Client Authority:** If this Agreement is entered into by a trustee or other fiduciary, such trustee or fiduciary represents that he is duly authorized to negotiate the terms of this Agreement, including fees, and to enter into and renew this Agreement. Client warrants that any securities delivered are free of any encumbrances, including constructive liens. If Client is a corporation, the signatory on behalf of such Client represents that the execution of this Agreement has been duly authorized by appropriate corporate action. Client undertakes to advise WAMI of any event which might affect this authority or the propriety of this Agreement.

**9. Additions to or Withdrawals from the Account:** It is understood that Client may make additions to and withdrawals from the Account. Withdrawals from assets, including specific securities or other investments from the Account shall be permitted only upon five (5) days’ notice in writing to WAMI unless otherwise approved by WAMI. (Notice should be addressed to Woodlands Asset Management, Inc., P.O. Box 7805, The Woodlands TX 77387 or sent electronically).

**10. Proxies and Other Legal Notices:** WAMI and the Advisor will not be required to take any action or render any advice with respect to the voting of proxies for securities held in the Account, nor will they be obligated to render advice or take any action on behalf of Client with respect to securities or other investments presently or formerly held in the account, or the issuers thereof, which become the subject of any legal proceeding, including bankruptcies.

**11. Termination of Agreement:** This Agreement may be terminated at will upon oral or written notice by either party to the other and termination will become effective upon receipt of such notice. Client should send written notices to Woodlands Asset Management, Inc., P.O. Box 7805, The Woodlands TX 77387 or electronically. Such termination will not, however, affect the liabilities or obligation of the parties under this Agreement arising from transactions initiated prior to such termination. Upon the termination of this Agreement, neither WAMI nor the Advisor shall be under any obligation whatsoever to recommend any action with regard to, or to liquidate, the securities or other investments in the Account. WAMI retains the right, however, to complete any transactions open as of the termination date and to retain amounts in the Account sufficient to effect such completion. Upon termination, it shall be Client’s exclusive responsibility to issue instructions in writing regarding any assets held in the Account. Client is responsible for providing WAMI with the name of another custodian at the time the Agreement is terminated.

**12. Non-Assignability:** This Agreement shall not be assignable by WAMI or the Advisor without the prior consent of Client.

**13. Retirement Accounts/ERISA**: WAMI and its Agents are held to a fiduciary standard under the Advisors Act of 1940 and are deemed investment advice fiduciaries for retirement accounts pursuant to the US Department of Labor’s ERISA and Fiduciary Standard Rules. As such, WAMI and its Agents are required to make prudent investment recommendations without regard to their own interests, other than the Client’s, eliminate or at least expose all conflicts of interest, charge reasonable compensation, and make no misrepresentations regarding investment advice.

**14. Arbitration Agreement:** Any controversy arising out of or relating to any of Client’s accounts to transactions with WAMI, WSC, its officers, directors, agents and/or employees for Client, or to this Agreement, or the breach thereof, or relating to transactions or accounts maintained by Client with any predecessor firms by merger, acquisitions or other business combination from the inception of such accounts, shall be settled by arbitration, in accordance with the rules then in effect of the Financial Industry Regulatory Authority, (or the Boards of Directors of the New York Stock Exchange, Inc. or the American Stock Exchange, Inc., as Client may elect). If Client fails to make such an election, by registered mail addressed to WAMI within five (5) business days after demand by WAMI that Client make such election, then WAMI will have the right to elect the arbitration tribunal of its choice. Judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. This Agreement does not constitute a waiver of any Client’s rights to the extent such rights are deemed to exist under the Investment Advisors Act of 1940.

**15. Governing Law:** This Agreement is made and shall be construed under the laws of the State of Texas, provided that nothing herein shall be construed in any manner inconsistent with the Investment Advisors Act of 1940 or any rule, regulation or order of the Securities and Exchange Commission promulgated thereunder.

**16. Entire Agreement:** This Agreement represents the entire agreement between the parties with regard to the investment advisory matters described herein and may not be modified or amended except in writing signed by the party to be charged except as otherwise noted herein.

**17. Severability:** If any provision of this Agreement shall be held or made invalid by a statute, rule, regulation, decision of a tribunal or otherwise, the remainder of this Agreement shall not be affected thereby and, to this extent, the provisions of this Agreement shall be deemed to be severable.

**18. Exhibits:** The attached and following Exhibits are a part of this Agreement and the Client signature(s) below evidences receipt and understanding of such:

**Exhibit A** - Client Investment Objective Questionnaire: Client attests the information provided is true to their knowledge and presents an accurate view of their financial history and present needs.

**Exhibit B** – Solicitor/Agent Disclosure: The named Solicitor/Agent will receive the disclosed portion of the annual management fee client pays to WAMI. Client acknowledges receipt of background information provided in WAMI’s Form ADV Brochure.

**19. Electronic Consent:** 1) You agree and acknowledge that delivery of documents may be through electronic means via the custodian’s website or to the email address provided to Company by named client that contains either (i) a hyper-link that will connect you to the relevant information on a particular web page or (ii) a PDF file to effectively deliver to you all documents as a result of the relationship between Client and Company, and you agree that this form of electronic delivery constitutes delivery to you of the information linked thereto or contained therein. 2) you have access to this media and the ability to print and/or download the information provided thereby; to keep a working and operational email address, to promptly update your information for us if your email address changes and maintain a computer system that is able to accept and incorporate then-current standards of communication. By failing to update changes to your email address, we will send you all documents in paper form. 3) You may terminate consent to electronic delivery at any time by providing written notice to us, and is valid until you terminate such consent, and any occasional requests for paper documents will not terminate this consent.

**20. Miscellaneous:** WAMI reserves the right to refuse to accept or renew this Agreement in its sole discretion and for any reason. Client acknowledges that custodian may withhold any tax to the extent required by law and may remit such tax to the appropriate governmental authority. For the purpose of referring to this Agreement, the date of this Agreement shall be the date of Acceptance by WAMI. Client understands that WAMI may choose not to accept this Agreement until such time as Client delivers the securities and other investments that will comprise the Account into custody.

As used herein, reference to persons in the masculine gender shall include persons of the feminine gender. References in the singular shall, as and if appropriate, include the plural. All section headings in this Agreement are for convenience of reference only, do not form part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

All written communication to WAMI pursuant to this Agreement shall be sent to the above referenced address. All written communication to Client shall be sent to the address contained in the Client New Account Information form unless Client designates otherwise in writing. Notwithstanding anything to the contrary herein, Client shall have the right to terminate this Agreement without penalty within five (5) business days of the execution of this Agreement.

Client acknowledges receipt of WAMI’s Part 2 of its Form ADV, dated \_\_\_\_\_\_\_ and understands that WAMI will provide Client, prior to WAMI’s execution of this Agreement, with the Form ADV Part 2 of each Advisor chosen to manage Client’s assets. Based on the review of these materials, Client consents to the engagement by WAMI of the following Advisor pursuant to the terms of this Agreement:

**ADVISOR**: Woodlands Asset Management, Inc. Outside Advisor: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Agreed to this \_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_ **ACCEPTED**:

WOODLANDS ASSET MANAGEMENT, INC.

**X** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ BY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature of Client

**X** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature of Client (Joint Account, etc.)

Woodlands Asset Management, Inc.

Exhibit A

## 6.4 Client Investment Objective Questionnaire

1. What is your current income (interest plus dividends) requirement from your portfolio per year?

\_\_\_\_\_\_\_\_\_\_\_\_% or $\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Do you see a need for growth in income within the next five years? ( ) Yes ( ) No
2. Do you have a need for tax-free income from this portfolio? ( ) Yes ( ) No

4. Overall, how would you categorize your investment objective?

( ) Growth of principal – maximum growth with little or no income considerations.

( ) Growth with income – primary emphasis in capital growth with some emphasis on income.

( ) Income oriented – yield portfolio returns generated primarily through dividends and interest.

1. What is the current total rate of return for your existing portfolio?

1 year \_\_\_\_\_ 3 years \_\_\_\_\_ 5 years \_\_\_\_\_

1. What absolute total rate of return do you require per year? \_\_\_\_\_\_\_\_\_\_ %

7. How much excess return above inflation do you expect from this portfolio per year? \_\_\_\_\_\_\_\_\_\_\_

8. Please rank the following risk factors: 1=high 5=low

My risk taking ability is: 1 2 3 4 5

My risk taking attitude is: 1 2 3 4 5

1. Do you require a portion of your assets to be in cash at all times?

( ) No ( ) Yes \_\_\_\_\_\_\_\_ % or $\_\_\_\_\_\_\_\_\_\_\_

10. Would you object to any of the following fixed income instruments?

[ ] Corporate [ ] US Government

[ ] Municipal [ ] Eurobonds

11. The time horizon of your investments is the period over which you expect to achieve your stated return. The longer the time period, the better the chance that up and down market cycles will average out and your desired return can be achieved.

What investment time horizon seems most appropriate for your account?

( ) less than 5 years

( ) between five and ten years

( ) more than 10 years

1. Does your portfolio have any other special considerations or restrictions?

( ) Yes ( ) No

If yes, explain \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_­­\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Will an investment in any security (including a mutual fund or ETF) represent 5% or more ownership of the voting securities (or 3% if client is a private fund)?

( ) Yes ( ) No

If Yes, describe security: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

14. Will any part of the new account be transferred out to another custodian/investment?

( ) Yes ( ) No

If yes, describe:

|  |  |
| --- | --- |
| **Total Incoming Amount $** |  |
| **Transferring Out To: (describe investment)** |  |
| **Amount Transferring Out $** |  |
| **Remaining Amount for WAMI Model $** |  |

* 1. Assigned Model, if applicable, and/or any other comments:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*(Keep in mind if transferring funds out of the account as noted in #14 above, assign the correct Model for the REMAINING funds).*

***Notices****: 1) This questionnaire provides input for investment models and the questions are not intended to represent specific products; 2) Company recommends clients compare information provided in its quarterly statements with those received from the custodian*



**Woodlands Asset Management, Inc.**

10655 Six Pines Dr, Ste 100, The Woodlands TX 77380, (281) 367-2483

**Woodlands Asset Management, Inc.**

**Exhibit B**

## **6.5 Solicitor/Agent Disclosure**

**Solicitor/Agent Name (“Agent”): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

(First Name) (Last Name)

**To Potential**

**Or Client Name (“I” or “Your”): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Agent is a Solicitor of Woodlands Asset Management, Inc. (WAMI) an investment advisory firm registered with the Securities and Exchange Commission (SEC). In addition, Agent is also a registered representative of Woodlands Securities Corporation (WSC), a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC).

Fees from your account will be paid to WAMI and Agent will receive a fee as described below:

**SOLICITOR/AGENT FEE:**

Total annual fees collected for Your account are \_\_\_\_\_% of which \_\_\_\_\_% will be paid to Agent.

10655 Six Pines Dr Ste 100, The Woodlands TX 77380, (281) 367-2483

# 

# 7. FORM ADV PART I and 2 – DISCLOSURE DOCUMENT

## **7.1 Introduction**

Each SEC registered investment adviser must indicate whether it remains eligible for SEC registration within 90 days of the end of its fiscal year by completing and filing Part 1A, Item 2 of Form ADV (Rule 204-1(a)(1) under the Advisers Act). As such, Company must file its FORM ADV Part 1 and amendments by March 31 of each year (fiscal year end is December 31). Part 2 must be prepared and submitted electronically and simultaneously. Morris Monroe is responsible for ensuring all regulatory filings are completed and submitted correctly and promptly. Laura Hendricks is authorized by the Company to file all CRD/IARD filings on behalf of Company.

The SEC adopted rules, forms and amendments that are designed to modernize and enhance the reporting and disclosure of information by investment advisers. Among other things, the amendments will require investment advisers to provide additional information for the SEC and clients to better understand the risk profile of individual advisers and the industry. Amendments to Rule 204-2 under the Advisers Act will require advisers to maintain records of performance calculations and communications related to performance and provide detailed information about the type of investments it makes for clients, including the use of borrowings and derivatives. The amendments are not effective until advisers file an amendment to their existing Form ADVs on or after October 1, 2017 (the redlined Form ADV made available by the SEC at:  
<https://www.sec.gov/rules/final/2016/ia-4509-form-adv-summary-of-changes.pdf>).

The SEC's Division of Investment Management maintains on the SEC's website at <https://www.sec.gov/divisions/investment/iard/iardfaq.shtml> a "Frequently Asked Questions (FAQ) on Form ADV and IARD." The FAQ contains responses to questions related to the recently revised Form ADV. WAM will monitor the FAQ, which the Division of Investment Management updates from time to time to include responses to new questions.

Any natural person associated with the Company will not have to register as an adviser solely as a result of his or her activities as associated persons.

## **7.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Morris Monroe/Chief Compliance Officer |
| **Statutes/Rules** | * Form ADV under the Investment Advisers Act of 1940 * Section 202(a)(11) of the Investment Advisers Act of 1940 * Rule 204-1, 204-3 under the Investment Advisers Act of 1940 * Sections 13 and 16 under the Securities Exchange Act of 1934 |
| **Frequency** | * Each year when Company updates its Form ADV * Each time there is a material change in Company's advisory business necessitating revision to its Form ADV * Each time there is a regulatory filing deadline * Annual and intermittent internal exams |
| **Records** | * Copies of filed Form ADV, * Notice and U-4 filings and amendments * Internal Exam reports |

## **7.3 Form ADV Part 1**

Company will maintain its registration, with the proper regulatory authority based upon client assets it has under management. Any natural person associated with the Company will not have to register as an advisor solely as a result of their activities as Associated Persons of the Company.

### 7.3.1 Assets under Management & Other Items

On July 21, 2010, the Dodd-Frank Act became law, which among other things will change the SEC adviser registration requirements. In addition, the SEC decided that eligibility for registration is to be determined annually as part of an adviser's annual updating amendment, allowing an adviser to avoid the need to change registration status based on fluctuations that occur during the course of the year.

Advisers with $110 million or more client assets under management generally must register with the SEC. Advisers that manage between $100 million and $110 million of client assets may be registered with the SEC or a state. An SEC-registered adviser need not withdraw its registration from the SEC unless its client AUM falls below $90 million. Advisers with client AUM below $90 million must register with the applicable state(s).

If the Company must change its registration status, it must effect such change within 90 days of its fiscal year end. On or before 3/31 of each year, the Company will calculate its assets under management as of the end of its most recent fiscal year end.

When calculating assets for purposes of determining the proper regulatory authority, Company will count assets as being under its management only if they are in securities portfolios with respect to which Company provides "continuous and regular supervisory or management services" and disclose suck information in Form ADV Part 1A and 2A.

“**Security portfolio**” refers to an account with at least 50% of the total value of the account consists of securities. For purposes of this 50% test, Company may treat cash and cash equivalents (*i.e.,* bank deposits, certificates of deposit, banker’s acceptances, and similar bank instruments) as securities. The value of the portfolio includes the entire value of each securities portfolio for which the Company provides continuous and regular supervisory or management services (if managed by another firm and Company has the ability to hire and fire such firm, those assets may be counted as non-discretionary).

The following client accounts fall within this category:

* discretionary accounts (which may include family related accounts and any other accounts where Company does not receive any compensation but manages on a continuous basis; and
* non-discretionary accounts in which Company has ongoing responsibility to select or change outside advisors, make recommendations based upon the needs of the client, as to specific securities or other investments the account may purchase or sell, and, if such recommendations are accepted by the client, Company is responsible for arranging or effecting the purchase or sale. Company will not count employee accounts it does not manage (i.e. Simple IRAs, self-directed accounts, etc.).

When the CCO evaluates whether Company provides "continuous and regular supervisory or management services" to an account, he shall consider the following factors:

* **Terms of the advisory contract.** If Company agrees in its Investment Agreement to provide continuous and regular supervisory or management services.
* **Form of compensation.** If Company is compensated based on the average value of the client's assets it manages over a specified period of time, this fact suggests that Company provides "continuous and regular supervisory or management services" for the account.
* **Management practices.** The extent to which Company actively manages assets or provides advice bears on whether the services Company provides are "continuous and regular supervisory or management services." The fact that Company makes infrequent trades (e.g., based on a "buy and hold" strategy) does not mean its services are not "continuous and regular."

The CCO will deem Company does not provide "continuous and regular supervisory or management services" over an account where it:

* Provides market timing recommendations (i.e., to buy or sell), but has no ongoing management responsibilities;
* Provides only impersonal investment advice (e.g., market newsletters);
* Makes an initial asset allocation, without continuous and regular monitoring and reallocation; or
* Provides advice on an intermittent or periodic basis (such as upon client request, in response to a market event, or on a specific date (e.g., the account is reviewed and adjusted quarterly).

When calculating **number of Clients**, Company will count as follows:

* If a joint account exists, and the joint owners also have other individual accounts (including qualified accounts), then the joint account will count as one Client;
* All other accounts will be counted as one Client by the existence of a different Tax ID (i.e. Individuals, Trusts, Partnerships, Corporations, etc.).

When determining whether a person or **entity is controlling or controlled by another person** or entity, Company shall consider the definition of "control" set forth herein.

Company will indicate when responding to Item 7 the applicable activities that each of its related persons are involved in *(note that the SEC does not want Company to disclose in response to Item 7 those employees who perform investment advisory functions or registered representatives of a broker-dealer)*. These items should be disclosed when responding to Item 5.B.

Because of recent amendments to Form ADV, Company must report separate information about compensation paid to solicitors who are employees and non-employees.

Where appropriate, Company will complete **Schedules A, B, C, D and R**.

With respect to Schedule D, Company, in compliance with new Form ADV amendments, will provide information about any branch office's business activities, FINRA status (if any registered representatives are located there) and number of employees located there.

Company will also report on Schedule D all social media platforms where it provides content and control of that content including, for example, social media platforms such as:

* LinkedIn
* Facebook
* Twitter

### 7.3.2 Annual Amendment

Following 12/31 of each year, Company will calculate its assets under management as of the end of its most recent fiscal year end (currently 12/31). The CCO will ensure that Company reviews its Form ADV 1 at least annually and files its annual amendment within 90 days following fiscal year end (or by 03/31) each year. If Company reports on its annual updating amendment that it has assets under management of less than $100 million and is not otherwise eligible to register with the SEC, it will file a registration statement (Form ADV) with the appropriate state(s) and withdraw from its SEC registration within 90 days after the filing of its annual updating amendment by filing Form ADV-W with the SEC.

Filing fees generally are due at the time Company's annual amendment is filed. To ensure that filing fees are paid, Compliance will periodically check the balance in the IARD system, and when necessary, will arrange for additional payments to be made to increase the balance so that sufficient funds are available for filing fees. Company will pay its annual IARD fee by April 2 of each year, prior to submitting its annual Form ADV amendment. The current fees, based on Companys assets under management, are $225 for AUM of $100 million or more.

### 7.3.3 Notice Filings

Pursuant to applicable state laws, the Company will ensure that any Notice Filings will be completed where required by adhering to the following procedures:

1. Prior to the solicitation of any new customer who resides outside of Texas, Morris Monroe or Compliance will be responsible for reviewing the applicable state’s requirement or exemption(s) from filing a Notice Filing via IARD.

2. In addition, a review of applicable state requirements will be conducted by Morris Monroe or Compliance to determine if any Company Agent must be registered as well via a Form U-4 amendment in the CRD.

3. Company will ensure proper fees are deposited to the Daily Account of IARD/CRD to process the requests from either #1 or 2 above.

4. Add a line item to the New Client Checklist to ensure state of residence is noted and disclosed to Morris Monroe or Laura Hendricks prior to opening.

5. A review of Company client list and relative states of residence will be reviewed at least quarterly to detect any new states and a log maintained as evidence of review.

6. On a timely basis, make all required initial and renewal notice filings. To make a notice filing, Company will check the box next to the appropriate states listed in Part 1A (Item 2.C.) of its Form ADV. When Company submits its annual amendment to its Form ADV via the IARD system, it will automatically make notice filings in the states that are checked. Prior to making the notice filings, Company will verify that it has sufficient funds in its IARD Daily Account to cover both state and SEC filing fees or make the necessary fund transfer.

### 7.3.4 Periodic Amendments

Company’s CCO will be responsible for the coordination, filing and update of Company’s Form ADV. Prior to making an amendment, the following review of the FORM ADV to be amended will be conducted.

Part 1A:

* Logon to the IARD;
* Choose ADV New Filing;
* Choose either Annual Amendment, Other-than-Annual Amendment;
* Enter applicable information;
* Complete the applicable Execution page;
* Run the Completeness, Errors check and make any corrections;
* Ensure any applicable funds are posted to the IARD account; and
* Submit the filing.

Part 2A:

Company will amend its Part 2A (Company Brochure) with any updates at least annually, within 90 days after Company’s fiscal year end, and in any interim when information in the Part 2A becomes materially inaccurate. All annual and interim updating amendments will be filed with the SEC.

Company will amend any Brochure Supplement promptly if it becomes materially inaccurate. Company is not required to update the Brochure Supplement on an annual basis. Neither the Brochure Supplements nor any amendments to the Brochure Supplements are required to be filed with the SEC, Company will maintain in its files copies of all brochure Supplements and any amendments.

Company will amend its Form ADV promptly if:

* information in response to Items 1, 3, 9, or 11 of Part 1A or Items 1, 2.A. through 2.F., or 2.I. of Part 1B become inaccurate in any way;
* information provided in response to Items 4, 8, or 10 of Part 1A or Item 2.G. of Part 1B become materially inaccurate;
* a financial condition of Company occurs or will occur that is likely to impair its ability to meet contractual commitments to any clients who have given WAM discretionary authority over their accounts or entrusted custody of their assets; or
* a disciplinary action against WAM or one of its employees that is covered by the disciplinary disclosure provisions of Rule 206(4)-4(a)(2) under the Investment Advisers Act of 1940.

Any person who is a director, officer or owner of Company must notify Company of any change in information that would require an amendment to the Schedules of Form ADV.

## **7.4 Form ADV Part 2A - Disclosure Document**

Part 2A must be electronically filed with the SEC. Each SEC-registered adviser whose fiscal year ends on or after December 31, must file a Form ADV Part 2A with its next annual updating amendment. Within 60 days of filing the annual updating amendment, an adviser must offer to deliver to all of its current clients copies of both Parts 2A and 2B of the new Form ADV. Part 2B contains certain information regarding individuals providing advisory services to clients.

The Chief Compliance Officer and Compliance will consult officers and employees of Company and otherwise obtain the necessary information to answer each question in Part 2 in an accurate and truthful manner. The Chief Compliance Officer will ensure the update of information in Part 2 whenever it becomes materially inaccurate. Company will utilize Form ADV Part 2 as its disclosure document given to clients and prospective clients. The Company’s Brochure is a narrative document that must contain disclosures addressing eighteen separate items as listed in the Part 2A instructions. The Company’s brochure must cover the following eighteen items set forth in Part 2A (the 19th required item is applicable only to state-registered investment advisers). Morris Monroe or other Compliance personnel responsible for the Form ADV shall refer to and meet each of the requirements set forth in Form ADV Part 2A, which are highlighted herein, when preparing and updating the Company Brochure. The Company must respond in a predetermined order and use the headings required by Part 2A.

### 7.4.1 Cover Page

The cover page of the Company Brochure will contain the Company’s

* Name
* Address
* Contact information
* Website address (if any)

The cover page will contain the date of the Firm Brochure and the date that the Firm Brochure was last updated. In addition, the cover page also will include the following standard SEC regulatory disclaimer in bold print:

**This brochure provides information about the qualifications and business practices of the Company. If you have any questions about the contents of this brochure, please contact us at 281-367-2483 and/or** [**mnull@woodlandsecurities.com**](mailto:mnull@woodlandsecurities.com)**. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about the Company may be found at the SEC’s website at** **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

If the Company refers to itself as a “Registered Investment Advisor” or describes itself as being “registered,” it will include a statement that registration does not imply a certain level of skill or training.

### 7.4.2 Summary of Material Changes

Upon the first amendment to the Company’s brochure (and not the initially created brochure that is first filed with the SEC unless desired), the Company shall create an annual summary of the material changes to its Company brochure. This summary shall be created in connection with each subsequent update. The summary shall describe the material changes made to the Company brochure since its last update.

The summary will be placed either:

* On the cover page of the brochure,
* On the page following the cover page, or
* As a separate exhibit that accompanies the Company’s brochure.

### 7.4.3 Table of Contents

The Company brochure will contain a table of contents that lists the eighteen required items set forth in Part 2A. The Table of Contents will list the items in the same order of the eighteen items listed in Part 2A. The Company may also include sub-headings.

### 7.4.4 Advisory Business

The Company shall describe its advisory business consistent with the instructions in Item 4, including whether it holds itself out as specializing in a particular type of advisory service. When providing its assets under management (“AUM”) as required by that item, the Company may use different methodologies from those used in calculating AUM in its Form ADV Part I. If so, the Company will retain records supporting its calculations.

### 7.4.5 Fees and Compensation

The Chief Compliance Officer and/or Compliance shall review the fee tables and other compensation provisions of the advisory agreements the Company has with its clients. Based on this review, the brochure shall disclose the range of its fees in a fee table and other compensation the Company or its personnel receives, including any commissions for the sale of security or other investment products. As required by Item 5, the Company shall describe the conflicts raised by any compensation practices and how it addresses these conflicts.

### 7.4.6 Performance Fees and Side-by-Side Management

The Chief Compliance Officer and/or Compliance shall review the advisory agreements the Company has with its clients to see if it charges any performance fees. If so, the Company shall disclose that it charges performance fees or has advisory personnel who manage accounts that pay performance fees. If the Company manages some accounts that are subject to a performance fee and other accounts that are not subject to a performance fee, it will describe:

* The conflicts of interest arising from the side-by-side management of performance-based fee accounts and the other accounts; and
* How the adviser addresses those conflicts.

### 7.4.7 Types of Accounts

The Chief Compliance Officer and/or Compliance shall review the types of advisory clients that the Company provides advisory services to and the Company’s requirements for opening and maintaining client accounts and accurately report this information in response to Item 7 of Part 1A of Form ADV.

### 7.4.8 Methods of Analysis, Investment Strategies and Risk of Loss

The Chief Compliance Officer and/or Compliance shall meet with portfolio managers, investments committee member (if applicable), and key personnel involved with formulating investment advice for clients. Through such consultations, as well as reviewing any Company literature or other materials that describe its investment philosophy and methods, the Chief Compliance Officer or his or her delegate shall draft a disclosure that describes the Company’s methods of analysis and investment strategies.

Through this process, the Chief Compliance Officer and/or Compliance Company shall identify and draft disclosures of risks associated with investment strategies used by the Company as well as specific instruments recommended or used to implement the investment strategies.

### 7.4.9 Adviser Disciplinary Information

The Chief Compliance Officer and/or Compliance in responding to this item will use the disclosure the Company has made in Form ADV Part 1A and SEC adopted as proposed the requirement that advisers disclose legal and disciplinary events. The Chief Compliance Officer and/or Compliance will ensure that the two sets of disclosures are consistent.

When responding to this disclosure in Part 1A, the Company notes that the SEC takes the position that involvement in certain disciplinary events are presumed to be material unless the event was resolved in the adviser’s (or the management person’s) favor, was reversed, suspended, or vacated, or the adviser rebutted the presumption of materiality. An adviser may rebut the presumption of materiality and not disclose certain disciplinary events if it documents its analysis and retains such documentation so that the SEC can monitor compliance with this particular disclosure requirement. This documentation will be recorded in the Internal Exam and Annual Supervisory Review.

### 7.4.10 Other Financial Industry Activities and Affiliations

The Chief Compliance Officer and/or Compliance before responding to this item, will review relationships the Company and its principals have with other entities. The Chief Compliance Officer and/or Compliance will summarize this information in narrative form. This disclosure shall include the material conflicts related thereto and explain how the Company addresses such material conflicts. Prior to including this information in the Company brochure, the Chief Compliance Officer and/or Compliance will circulate this narrative to the principals of the Company for their review and input.

### 7.4.11 Code of Ethics

The Chief Compliance Officer and/or Compliance will review the Company’s Code of Ethics and personal trading compliance program. In addition to disclosing information, the narrative responding to this item will describe how the Company’s personnel may participate in or have interest in client transactions and the conflicts related to such practice and how the Company addresses such conflicts.

### 7.4.12 Brokerage Practices

The Chief Compliance Officer and/or Compliance will review the brokerage practices of the Company, including how it selects broker/dealers, brokerage arrangements and soft dollars. In connection with this review, the Chief Compliance Officer and/or Compliance will consult with advisory personnel who place trades. Based on this review, the Chief Compliance Officer and/or Compliance shall draft disclosure describing such arrangements. In particular, the disclosure shall describe the following arrangements if applicable:

* *Soft Dollars*: the disclosure shall describe the products and services that the Company acquires, with more specific disclosure for products and services that do not qualify for the safe harbor in section 28(e) of the SEC Act of 1934. The disclosure will discuss the conflicts of interests associated with accepting soft dollar benefits and how the Company addresses those conflicts.
* *Client Referrals:* If the Company uses client brokerage to compensate brokers for client referrals, the Company will disclose this arrangement and the conflicts of interest that these arrangements present. In addition, the disclosure will describe the procedures related to directing brokerage to referring brokers.
* *Directed Brokerage:* The disclosure will discuss directed brokerage arrangements. If the Company permits clients to direct brokerage, it will disclose that directing brokerage may be more costly for the client and may prevent the adviser from being able to obtain best execution. If the Company routinely recommends requests or requires clients to direct brokerage, then the Company must also disclose that not all investment advisers require such directed brokerage arrangements.
* *Trade Aggregation:* The Company will describe whether and when it aggregates trades, and if they do not aggregate trades despite having the opportunity to do so, they must explain that clients may end up paying higher brokerage costs.

### 7.4.13 Review of Accounts

The Chief Compliance Officer and/or Compliance will consult with advisory personnel and other relevant personnel regarding the process for reviewing client accounts and, based on this information, disclose how often the Company reviews client accounts. If the Company reviews accounts other than regularly, it will disclose the triggering factor(s) for such reviews. This disclosure will also set forth the titles of those persons conducting the reviews.

### 7.4.14 Client Referrals and Other Compensation

The Chief Compliance Officer and/or Compliance will review all arrangements in which the Company or its related persons compensate others for client referrals. In addition, the Chief Compliance Officer and/or Compliance will verify whether the Company has any arrangements such as sales awards and prizes where the Company receives economic benefits from any non-clients for providing advisory services to clients. To the extent the Company enters into such arrangements, it will describe them in its brochure, as well as disclose the conflicts of interest inherent in such arrangements and to discuss how the Company addresses such conflicts.

### 7.4.15 Custody

The Chief Compliance Officer and/or Compliance will review the Company’s custody arrangements, including how it complies with Rule 206(4)-2 under the Advisers Act (the custody rule) and describe these arrangements in its brochure. If the Company has custody over client funds or securities, it will explain how clients receive account statements directly from custodians and that clients should review such account statements carefully. If in addition to receiving statements from a custodian, a client receives an account statement from the Company, the Company in this item will explain that the client should compare the two statements.

Company will indicate on Item 9 to Part 1 of its Form ADV:

* whether or not it has custody of client assets;
* whether a Related Person has custody of client assets;
* if necessary, provide a list of Related Persons in Schedule D of Form ADV;
* if necessary, provide information about annual surprise examination; and
* if necessary, provide information about Independent Public Accountant.

Further custody information can be found in Section 5.7.

### 7.4.16 Investment Discretion

The Chief Compliance Officer and/or Compliance will review all client investment advisory agreements to determine whether the Company has investment discretion and/or no investment discretion over client accounts and accurately disclose this in response in its brochure.

### 7.4.17 Voting Client Securities

The Chief Compliance Officer and/or Compliance will consult with investment personnel or, if applicable, a proxy voting service regarding their proxy voting practices. He or she will also review the client investment advisory agreements and any related agreements to ascertain whether the Company or the client has proxy voting authority. Based on this information and the consultations, a disclosure will be drafted regarding whether the Company or Client has authority to vote client securities. In addition, the disclosure will describe the Company’s voting policies and/or how clients can direct the Company to vote, how the Company addresses conflicts of interest when voting securities, and how clients can obtain information on how the Company voted, if applicable. The disclosure will also explain how clients may obtain a copy of Company’s proxy voting policies and procedures upon request, if applicable. If the Company does not accept authority to vote, it will explain to clients how they can receive their proxies and solicitations.

### 7.4.18 Financial Information

The Chief Compliance Officer and/or Compliance will review client advisory contract to verify whether they require any clients to prepay advisory fees exceeding $1200 per client and six months or more in advance. If so, the Chief Compliance Officer and/or Compliance will make sure that the Company obtains an audited balance sheet in a timely manner and includes such balance sheets in the Company’s brochure in response to this 18th item.

The Chief Compliance Officer and/or Compliance will also consult with the principals of the Company regarding its financial condition. If the Chief Compliance Officer and/or Compliance, in consultation determine that the Company’s financial condition is reasonably likely to impair its ability to meet contractual commitments, it will disclose this fact in response to Item 18. If the Company has been subject to a bankruptcy petition in the past 10 years, it will disclose this fact in response to Item 18.

**State-Registered Adviser**

Investment advisers registered with one or more states (and not the SEC) must provide additional information in the adviser’s brochure, including additional information about the management personnel of the adviser, activities of the adviser other than providing investment advice, certain performance fee information, disciplinary information and information about arrangement with certain issuers of securities.

As part of its fiduciary duty to clients, Company has an affirmative obligation of utmost good faith and full and fair disclosure of all material facts to clients. As such, Company is required to disclose any facts that might cause it to render advice that is not disinterested.

Company will provide interim updates of both brochures and brochure supplements for any material change to a disciplinary event or when a new disciplinary event is reported.

## **7.5 Form ADV Part 2B – Brochure Supplement**

Part 2B (the brochure supplement) covers the adviser's investment professionals. Currently Company’s investment advice is provided by a team at the Company, and therefore shall create and provide a Brochure Supplement for each team member of the team which consists of from two to five investment advisory personnel; and of each five investment personnel who have the most significant responsibility for the day-to-day advice provided to the client if the team has more than five investment advisory personnel.

The Chief Compliance Officer or his designee will consult officers and employees of Company and otherwise obtain the necessary information to answer each question in Part 2B in an accurate and truthful manner. The Chief Compliance Officer will ensure the update of information in Part 2B whenever it becomes materially inaccurate. The Company’s Brochure Supplement must cover the following six items set forth in Part 2B. As an SEC registered adviser, Company is not required to file electronically with the SEC the Brochure Supplement, however, shall maintain copies and any amendments as part of its books and records.

Morris Monroe or other Compliance personnel responsible for the Form ADV shall refer to and meet each of the requirements set forth in Form ADV Part 2B, which are highlighted herein, when preparing and updating the Company Brochure Supplement. The Company must respond in a predetermined order and use the headings required by Part 2B:

### 7.5.1 Cover Page

Since Company is creating one Brochure Supplement for its investment team, the cover page shall include

* Company’s name, business address, and telephone number (each team member’s section shall contain the same information as well).
* Date of the Supplements
* The following statement or one that contains similar information that conveys similar language: “*This brochure supplement provides information about Supervised Persons that supplements the Woodlands Asset Management, Inc. (“WAMI”) Form ADV-Part 2A brochure (“Disclosure Brochure”). You should have received a copy of that Disclosure Brochure. Please contact the Company if you did not receive Company’s Disclosure Brochure or if you have any questions about the contents of this supplement. Additional information about Company’s Supervised Persons are available on the SEC’s website at* [*www.adviserinfo.sec.gov*](http://www.adviserinfo.sec.gov)*.*

### 7.5.2 Education and Background

Company shall disclose each investment team member’s name, age (or year of birth), formal education after high school, and business background (including specific positions held) for the preceding five years. If no formal education after high school or no business background Company will disclose this fact. Professional designations, if applicable, may be listed but must include a sufficient explanation of the minimum qualifications required to enable the client to understand the value of the designation(s).

### 7.5.3 Disciplinary Information

If there are legal or disciplinary events material to a client’s or prospective client’s evaluation of the supervised person, Company shall disclose all material facts regarding those events. Items below list specific legal and disciplinary events presumed to be material for this Item. If the supervised personhas been involvedin one of these events, Company shall disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in the supervised person’sfavor, or was reversed, suspended or vacated, or (2) Company has rebutted the presumption of materiality to determine that the event is not material. For purposes of calculating this ten-year period, the “date” of an event is the date the final order, judgment, or decree was entered, or the date any rights of appeal from preliminary orders, judgments or decrees lapsed.

If the supervised personhas been involvedin a legal or disciplinary event that is not listed below but is material to a client'sor prospective clients’evaluation of the supervised person'sintegrity, Company shall disclose the event. Similarly, even if more than ten years have passed since the date of the event, Company shall disclose the event if it is so serious that it remains currently material to a client’*s* or prospective client’sevaluation. If Company delivers a supplement electronically and if a particular disclosure required below for the supervised personis provided through either the Financial Industry Regulatory Authority’s (FINRA) BrokerCheck system or the IAPD, Company may satisfy that particular disclosure obligation by including in the Supplement (i) a statement that the supervised personhas a disciplinary history, the details of which can be found on FINRA’s BrokerCheck system or the IAPD, and (ii) a hyperlink to the relevant system with a brief explanation of how the clientcan access the disciplinary history. The BrokerCheck link is www.finra.org/brokercheck; the IAPD link is www.adviserinfo.sec.gov.

Although not an inclusive list, below are listed disciplinary actions to include in Company’s Brochure Supplement:

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person

1. was convicted of, or pled guilty or nolo contendere (“no contest”) to (a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
2. is the named subject of a pending criminal proceedingthat involves an investment*-*relatedbusiness, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. was foundto have been involvedin a violation of an investment-relatedstatute or regulation; or
4. was the subject of any order, judgment or decree permanently or temporarily enjoining, or otherwise limiting, the supervised personfrom engaging in any investment-relatedactivity, or from violating any investment-relatedstatute, rule, or order.

B. An administrative proceedingbefore the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authorityin which the supervised person

1. was foundto have caused an investment-relatedbusiness to lose its authorization to do business; or
2. was foundto have been involvedin a violation of an investment-relatedstatute or regulation and was the subject of an orderby the agency or authority

(a) Denying, suspending, or revoking the authorization of the supervised personto act in an investment-relatedbusiness;

(b) Barring or suspending the supervised person'sassociation with an investment-relatedbusiness;

(c) Otherwise significantly limiting the supervised person's investment-related activities; or

(d) Imposing a civil money penalty of more than $2,500 on the supervised person.

C. A self-regulatory organization (SRO) proceedingin which the supervised person

1. Was found to have caused an investment-related business to lose its authorization to do business; or
2. Was found to have been involved in a violation of the SRO’s rules and was: (i) barred or suspended from membership or from association with other members or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than $2,500.

D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the Company knows, or should have known, of such resignation or relinquishment), disclose the event.

Company may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, Company is not required to disclose it. When reviewing a legal or disciplinary event involving the supervised person to determine whether it is appropriate to rebut the presumption of materiality, all of the following factors should be considered: (1) the proximity of the supervised person to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If concluded that the materiality presumption has been overcome, Company shall prepare and maintain a file memorandum of its determination in its records.

### 7.5.4 Other Business Activities

A. If the supervised person is actively engaged in any investment-related business or occupation, including if the supervised person is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), commodity trading advisor (“CTA”), or an associated person of an FCM, CPO, or CTA, Company shall disclose this fact and describe the business relationship, if any, between the advisory business and the other business.

1. If a relationship between the advisory business and the supervised person’s other financial industry activities creates a material conflict of interest with clients, Company shall describe the nature of the conflict and generally how it is addressed.
2. If the supervised person receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service (“trail”) fees from the sale of mutual funds, Company shall disclose this fact. If this compensation is not cash, Company shall explain what type of compensation the supervised person receives. It shall further explain that this practice gives the supervised person an incentive to recommend investment products based on the compensation received, rather than on the client’s needs.

B. If the supervised person is actively engaged in any business or occupation for compensation not discussed in response to Item A, above, and the other business activity or activities provide a substantial source of the supervised person’s income or involve a substantial amount of the supervised person’s time, Company shall disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the supervised person’s time and income, Company may presume that they are not substantial.

### 7.5.5 Additional Compensation

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, Company shall generally describe the arrangement. For purposes of this item, economic benefits include sales awards and other prizes, but do not include the supervised person’s regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

### 7.5.6 Supervision

Company shall explain how it supervises the supervised person, including how advice is monitored that is provided to clients. Company shall provide the name, title and telephone number of the person responsible for supervising the supervised person’s advisory activities on behalf of Company.

## **7.6 Delivery**

Company provides to all clients and potential clients the Form ADV 2 Disclosure Document to meet this requirement prior to or simultaneously with the Investment Agreement and New Account Forms. Additionally, Company will deliver annual summaries of other material changes to the Brochure, and provide clients with an updated Brochure or offer to provide one upon request. A record date of initial delivery and the copy date of the form is maintained in the client file on the Company Client Checklist as well as logged in the Winops software program. In addition, pursuant to the annual Brochure Rule, an offer to send a current Form ADV Part 2 Disclosure Document is offered annually by letter or email. Typically, the letter is sent in April and a log is maintained of anyone who replies with a request to forward the current form. A current copy of the Form ADV Part 2 Disclosure Document is maintained as part of Company’s records.

Each client shall receive the Brochure Supplement of each investment personnel who, with respect to such client:

* Formulates investment advice for the client and has direct client contact; or
* Makes discretionary investment decisions for the client’s assets, even if such person does not have direct client contact.

The Company will not deliver a Brochure or Brochure Supplement to the following types of existing clients:

* Registered investment companies and business development companies;
* Clients who receive only impersonal investment advice; and
* “Qualified Clients,” as defined herein.

The following persons are “Qualified Clients” for purposes of the Brochure and Brochure Supplement delivery requirements:

* Any executive officers, directors, trustees, general partners, or persons serving in a similar capacity of the Company;
* Any employees of the Company (other than employees performing solely clerical, secretarial, or administrative functions) who, in connection with their regular functions or duties, participate in the investment activities of the Company and have been performing such functions or duties for at least 12 months.

If investment advice is provided by a team at the Company, an existing client shall receive:

* A Brochure Supplement for each team member of the team which consists of from two to five investment advisory personnel; and
* A Brochure Supplement of each five investment personnel who have the most significant responsibility for the day-to-day advice provided to the client if the team has more than five investment advisory personnel.

All clients shall receive Brochures or a Summary of Material Changes each year with an offer for the full brochure.

**Interim Delivery** – In the event that a Brochure or Brochure Supplement becomes materially inaccurate, Company shall add or otherwise correct the disclosure and deliver the amended disclosure to each client. The Company may deliver this information either in:

* A separate statement describing the updated information; or
* A reprinted Brochure and/or Supplement.

## **7.7 Parts 2A and 2B Amendments**

Company will amend its Part 2A (Firm Brochure) with any updates at least annually, within 90 days after Company's fiscal year-end, and in between annual updating amendments when any information in the Part 2A becomes materially inaccurate. All annual and interim updating amendments will be filed with the SEC. Company will amend any Part 2B (Brochure Supplement) promptly if it becomes materially inaccurate. Company is not required to update its Part 2Bs on an annual basis. Neither the Part 2Bs nor any amendments to the Part 2Bs are required to be filed with the SEC. Company will maintain in its files copies of all Part 2Bs and any amendments thereto.

## **7.8 Books and Records**

Company will maintain in its books and records:

* Copies of each Firm Brochure, Brochure Supplement and Summary of Material Changes that it currently uses or has used in the past and note on the Firm Brochure and Brochure Supplement the date when such Firm Brochure and Brochure Supplement were first and last used. Through this procedure, Company will create a record of when each version of its disclosure document was actually used in making disclosure to clients. Company will also maintain a copy of its Brochure (Part 2A) and each Brochure Supplement (Part 2B) given or sent to any client or prospective client who becomes a client (both maintained in WinOps);
* A record of the dates that each Brochure and Brochure Supplement, each amendment or revision thereto, and each Summary of Material Changes not contained in a Brochure was given to any client or to any prospective client who subsequently becomes a client.
* A record of any annual offer or delivery of the forms.

# 8. REGULATION S-P/ S-AM/ S-ID - PRIVACY & PROTECTION OF CUSTOMER INFORMATION

## **8.1 Introduction**

Client information in the possession of an investment adviser is governed by federal law and, in some cases state law. The Gramm-Leach-Bliley Act (GLB) and Regulation S-P require financial institutions, including investment advisers, to provide a notice to each customer that describes the investment adviser's policies and practices regarding the disclosure to third parties of nonpublic personal information. In general, the privacy notice must describe an investment adviser's policies and practices with respect to disclosing nonpublic personal information about a client to both affiliated and nonaffiliated third parties and provide a client a reasonable opportunity to opt out of the sharing of nonpublic personal information about the client with nonaffiliated third parties. As part of its privacy notice, the privacy rule requires an investment adviser to include specific items of information, such as the categories of nonpublic personal information that the investment adviser collects and the categories of third parties to which the investment adviser may disclose the information.

## **8.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Chief Compliance Officer, Information Security Officer (both are Morris Monroe) |
| **Statutes/Rules** | * Gramm-Leach-Bliley Act * Regulation S-P * Regulation S-AM * Regulation S-ID |
| **Frequency** | * Ongoing – Initial delivery to new customers * As required send any revised privacy notice to existing clients |
| **Records** | * New Account Form/Privacy Notice Acknowledgment * Annual Privacy Notice delivery |

## **8.3 Regulation S-P**

Regulation S-P went into effect on a voluntary basis starting November 13, 2000; and became mandatory on July 1, 2001. Morris Monroe is designated as the Information Security Officer (“ISO”) and will be responsible for the implementation of Regulation S-P. Regulation S-P is built around an “opt-out” policy which means that as long as certain notices are given to consumers and customers, then the Company is permitted to share their clients’ financial information with its affiliated and non-affiliated third parties unless the consumers and customers opt out of the information sharing arrangement.

### 8.3.1 Definitions:

***Consumer*:**  An individual who obtains or has obtained a financial product or service from a financial institution.

***Customer*:** A consumer who has developed a continuing relationship with a financial institution to provide products or services.

### 8.3.2 Privacy Notices

Company will prepare and maintain its Privacy Notice. Specifically, Company will disclose, if applicable:

• The categories of nonpublic personal information that it may collect;

• The categories of nonpublic personal information it may disclose;

• The categories of affiliates and nonaffiliated third parties to whom it discloses nonpublic personal information other than service providers, and third parties that aid in fulfilling the service requested by a consumer;

• The Company’s policies with respect to sharing information about former customers;

• The categories of information that are disclosed under agreements with third party service providers and joint marketers and the categories of third parties providing the services;

• A consumer’s right to opt out of the disclosure of nonpublic personal information to nonaffiliated third parties; and

• The Company’s policies and practices with respect to protecting the confidentiality, security, and integrity of nonpublic personal information. Essentially, consumers and customers must be given notice when information is going to be shared and then be given the opportunity to opt out of that sharing arrangement.

The SEC has adopted a model privacy form that advisers may rely upon to comply with the disclosure requirements of Regulation S-P. The model privacy form is a two-page disclosure form. It is designed to be succinct and comprehensible and allow consumers to easily compare the privacy practices of different financial institutions. Use of the model privacy form is voluntary. An adviser that chooses to use the model privacy form consistent with the instructions to the form will satisfy the disclosure requirements for privacy notices under Regulation S-P (*i.e.,* will obtain a "safe harbor"). The form may be found at <http://www.ftc.gov/opa/2009/11/glb.shtm>.

In certain circumstances, Regulation S-P permits the Company to use “short- form” initial notices for consumers with whom the Company does not have a customer relationship. The short-form notice must be accompanied by an opt-out notice, if Company shares informaiton, and information on where the consumer may obtain additional information on the firm’s privacy policies.

Under Regulation S-P, any information given by consumers or customers to the Company to obtain a product or service will generally be considered to be nonpublic financial information. In addition, any list, description, or other grouping of consumers and customers that is derived from this information also may be considered nonpublic information.

The Company may consider the information received to be publicly available (and therefore not subject to the restrictions of Regulation S-P) if the Company reasonably believes that the information is lawfully available from three sources: (1) federal, state, or local government records; (2) widely distributed media; or (3) disclosures to the general public that are required to be made by federal, state, or local law.

### 8.3.3 Delivery of Privacy Notices

Company will comply with the following requirements:

(1) Prepare notices describing the firm’s privacy policies;

(2) provide an initial privacy notice and opt-out notice, if applicable, to each consumer at account opening;

(3) Provide an annual privacy notice to each existing customer; unless Company meets the following two conditions:

* + Company does not disclose nonpublic information to third parties (*e.g.,* sharing in connection with marketing activities vs. sharing solely to service customer accounts), other than disclosure permitted under Exempt Category, a section that follows; and
* There has been no change in policies regarding disclosing nonpublic personal information from the last notice sent to customers. and

(4) Adopt policies and procedures that address the protection of customer information and records. After the first year, the Company would be required to revise notices only to reflect changes in its privacy policies.

Each initial notice to a new customer will be evidenced by a copy of the New Account Information Form, which has the Privacy Policy attached. Any annual or revised notification will be sent via US Mail or electronically and evidenced by retention of a privacy notice log file as well as an electronic file maintained by Compliance.

|  |
| --- |
| *As part of the Fixing America's Surface Transportation Act (FAST Act), an amendment to the Gramm-Leach-Bliley Act (GLBA) was enacted that eliminated the annual privacy policy notice requirement for certain financial institutions including investment advisers. These changes are designed to ease the existing regulatory burden and allow many financial institutions to avoid providing customers with annual privacy policy notices.* |

### 8.3.4 Information Sharing Arrangements

The Company may make Information Sharing Arrangements with its affiliates and with nonaffiliated third parties.

**Affiliates**: The Company may share consumers’ and customers’ information with its affiliates as long as that fact is disclosed in the privacy notices. Consumers and customers may not opt out of that information sharing arrangement.

**Nonaffiliated Third Parties**:If the Company has an information sharing agreement with nonaffiliated third parties, then that fact must be disclosed, and consumers and customers may generally opt out of having their information shared under that agreement. The Graham-Leach Bill does provide a series of exceptions that permit the Company to share information with nonaffiliated third parties and in which consumers and customers may not opt out of those sharing arrangements. These exceptions include, but are not limited to, arrangements with joint marketers and service providers. While consumers and customers may not opt out of these information sharing arrangements, these arrangements must be disclosed in the privacy statements.

If Company volunteers to share information with other financial institutions, it shall review and file FinCEN's Form 314b annually (found at [www.fincen.gov/fi\_infoappb.html](file:///\\olympus\company\users\LHendricks\COMPLIANCE\WAMI\Compliance%20Manuals\www.fincen.gov\fi_infoappb.html)) and maintain a copy of the filing in Company records.

### 8.3.5 Privacy Responsibilities and Procedures

The Information Security Officer is responsible for establishing procedures regarding Company's computers and data maintained on computers, including the following:

* Limiting access to centralized physical data processing and computer sites to authorized personnel only
* Limiting data access to authorized personnel only
* Back-up of data files
* Disaster recovery plans

Associated Persons and employees are required to treat nonpublic personal information in a confidential manner. Questions about providing personal customer information should be referred to Compliance.

Access to nonpublic personal information must be limited by physical, electronic and procedural safeguards. Responsibilities and procedures include but are not limited to the following:

* Do not leave completed applications and related information where others can read or copy them.
* When not in the office or using materials containing nonpublic personal information, such material must be kept in locked files.
* Nonpublic personal information may only be used for business purposes with respect to the Company’s financial services relationships with the individual, such as new account forms, applications, or transactions requested by the individual.
* Company computers shall only be accessed through secured logins and password that shall be issued upon employment.
* Only employees with a business “need to know” basis should be given access to nonpublic personal information. Customer files are to be locked after business hours. Employees and Associated Persons will be required to sign a confidentiality agreement to acknowledge and ensure their compliance with Company’s privacy policies. Generally, due to the small size of Company and its respective branch, all employees will have authorized access to customer nonpublic information. However, to ensure terminated employees are prevented from accessing records containing personal information, Company will ensure their physical and electronic access to such records is prevented, deactivate their passwords and eliminate their user names access.
  + Due to advances in technology, the Company authorizes the use of laptops and remote connections to the server through VPN or Remote Desktop. However, due to the increased concern for the protection of customer information, the servers accessed by the Company and its related persons have encryption and/or firewall protections to help prevent the unauthorized access to customer information through the open air waves. In addition, laptops used by related persons must have built in firewalls and other protection devices as well as updated antivirus software. Laptops and personal computers will be randomly reviewed by IT or Compliance at least annually with a log of review.

Employees who use laptops or other mobile devices for Company business are responsible for the security of the device and the information contained on it. Serious security breaches can occur if a device containing or capable of accessing confidential information is lost or stolen. Laptops and PCs must be set to time-out at least every 30 minutes when not in use, requiring a password for re-entry. All confidential data must be accessed only on the Company's servers and may not be stored on laptops. Associated Persons must report to the Company any lost laptop or Company issued mobile device or any known intrusion of such device. Company shall maintain a record of any such notices and any actions taken.

* Nonpublic personal information about customers may not be accessed out of curiosity, for anyone’s personal use or where there is no business relationship with the customer or have any business need to know the information.
* Such information may be used to market additional products or services offered through the Company.
* Generally, such information should not be disclosed to anyone other than the customer, employees of the company or other financial or vendor institutions in connection with the processing of products or services offered by the Company. Some exceptions may be in the case of a minor, a customer’s incapacity or death to provide information to a guardian or trustee, or as permitted or required by law such as compliance with a subpoena or inquiry from a government agency or regulator.
* Company shall equip its computers that maintain customer information with firewalls and malware/spyware software to minimize the risk of intrusion.
* Company has contracted with SilverSky to assist in detecting external intrusions of Company computers. External vulnerability scans will be conducted (on a minimum monthly basis) to determine such risks and adopt any changes necessary to address such risks.
* Company shall deactivate any terminated employee’s logins/passwords, electronic building cards, etc. to prevent gaining access to customer information upon leaving the Company.
* **Internal Controls**:

1. Schwab passwords are only issued through or reset by Melanie Null or Laura Hendricks;

2. Personnel authorized to trade at Schwab Institution must have Authentication Card, issued by Melanie Null;

3. All windows logins are password required with strong or complex requirements (combination of upper & lower case, numbers, and non-alpha characters);

4. Servers and laptops firewalls configured by IT Manager for further protection. A random sampling of laptops and personal computers will be reviewed by IT or Compliance at least annually with a log of review.

### 8.3.6 Information Breaches

In the event personal information is at risk, the Company will take the following precautions:

* Informing potentially effected person(s) of the breach by any and all measures available (i.e. phone, email, letter, etc.) and doing so as soon as possible;
* Monitoring any affected accounts for suspicious activity with possibility of freezing said account(s) with person(s)’ authorization and knowledge;
* Contact affected person(s) for future transactions;
* Consult with affected person(s) regarding possible changes to account number and/or passwords.

In addition, should the Company suspect that an incident of identity theft has occurred or if it is notified by a customer that they suspect an identity theft, the designated principal or his designee shall contact the Company’s Legal department and Compliance department. These departments shall commence an investigation and determine if an identity theft may have occurred. If the investigation determines that one may have occurred through the Company, Compliance and Legal shall notify the appropriate law enforcement agencies. (This includes the local Sheriff, the FBI, and Secret Service. The FTC serves as a clearinghouse for complaints against credit reporting agencies and credit grantors, referrals, and resources for assistance for victims of identity theft. They should be notified if the suspected victim requests this type of assistance. Refer to “Title 18 USC 1028” and to “Identity Theft and Assumption Deterrence Act of 1998”. See Section 8.6.4 for further FTC contact information.)

## **8.4 Cybersecurity Governance**

Company has conducted an assessment of its information security systems and practices and has adopted these procedures to identify risks, mitigation, and escalation procedures. These Cybersecurity Procedures supplement the Business Continuity Plan, Identity Theft Prevention Program and Privacy Procedures. Morris Monroe is the Chief Information Security Officer and has the overall responsibility of ensuring the protection of Company’s systems and information.

Cyber-attacks include gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as by causing denial-of-service attacks on websites. Third parties or insiders using techniques that range from highly sophisticated efforts to electronically circumvent network security or overwhelm websites to more traditional intelligence gathering and social engineering aimed at obtaining information necessary to gain access may carry out cyber-attacks. At risk is the personal information of clients as well as the business operations of the Company.

### 8.4.1 Cyber Risk Assessment

Company shall assess cybersecurity risks and vulnerabilities to its Assets and Systems and the potential business consequences associated with such risks to determine the best approach to mitigate or address occurrences. It periodically shall:

1. Consider the probability of cyber incidents occurring and the quantitative and qualitative magnitude of those risks, including the potential costs and other consequences resulting from misappropriation of Assets or sensitive information, corruption of data or operational disruption;
2. Evaluate the adequacy of preventative actions taken to reduce cybersecurity risks in the context of its operations and risks to that security, including threatened attacks;
3. Analyze the operational environment in order to discern the likelihood of a cybersecurity event and the impact that the event could have on the Assets and Systems;
4. When performing risk analysis, incorporate emerging risks and threats to facilitate a robust understanding of the likelihood and impact of cybersecurity events;
5. Identify and establish priorities, constraints, risk tolerances and assumptions used to support operational risk decisions; and
6. Record who conducts the assessments, the date of the assessments, the findings from the assessments and the remediation, if any, performed because of the results of such assessments.

### 8.4.2 Inventory Assessment

Company will periodically identify, and take inventory and catalog the assets and systems that enable it to achieve business purposes ("Assets and Systems"), whether physical or virtual that may be vulnerable to cybersecurity threats, including:

* Types of data and other information transmitted and stored in its Assets and Systems;
* Connections to Company's network from external sources and Personnel who use and have high-level access to Assets and Systems;
* Devices, software platforms, facilities, communication mediums and applications that make up the Assets and Systems; and
* Assets and systems of key service providers.

**Assets & Systems Inventory** *(prioritized according to sensitivity and value)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Physical Devices** | | | |
| **Device** | **Description** | **Risks** | **Mitigation** |
| Laptops |  | Stolen | Firewalls, spam prevention, no Company data is stored on laptops. |
| PCs | Personal computers housed at office | Stolen, unauthorized access | Firewalls, spam prevention, manages passwords and access permissions, strong passwords utilized and changed regularly |
| Server | Network information | Stolen, unauthorized access | Firewalls, network intrusion detection system, Backs up all critical client and Firm data every 15 minutes, scanned every week to detect potential intrusions risks.  Room locked |
| Copier | Home office | Hard drive stolen | * 1. Located in locked room (that even cleaning crew does not access).   2. Old machine’s hard drives destroyed when new on obtained. Certificate of destruction maintained by Compliance |
| Building | 10655 Six Pines | Break in | 1. Building auto locks at 7pm and reopens 7 am 2. Access card keys issued to employees of building (can be deactivated readily and easily). 3. Alarm System 4. Cameras |
| Suite | 100 | Break in | * 1. Office locked   2. Locks can be (and have been changed from time to time)   3. Cameras |
| **Software & Applications** | | | |
| **Program** | **Description** | **Risks** | **Mitigation** |
| Gorilla | CRM system | SS, dob | Delete SS#s and year of birth fields |
| External Access to Network | Remote Desktop Connection |  | Firewalls, limited access, strong passwords and changed regularly |
| Email | Electronic communication | Unauthorized access, sensitive information accessed | Firewalls & spam protection (updated), encrypted messaging utilized when transmitting sensitive information. |
| Third Party Vendor Software | Schwab, WinOps | Unauthorized access | No customer data on Company servers, both Company and Vendor firewalls and data backup, Vendor management of access permissions and passwords (changed regularly. |
|  | USA.Net/Silversky/ BAE Systems  (Email) | Unauthorized access, sensitive information accessed | * 1. Bound by Confidentiality Agmt;   2. Maintains a TruSecure Certification; and   3. Maintains Cyberliability insurance. |

### 8.4.3 Cybersecurity Guidelines

Pursuant to the National Institute of Standards and Technology (NIST) risk management and processes and the SEC’s Office of Compliance Inspections and Examinations (OCIE) Exam Initiative, Company has adopted the following Information Security Policy in an effort to identify, mitigate, and escalate information threats or breaches.

When replacing a computer or other equipment that holds data on a hard drive, Company will make sure that such data is completely erased. In some cases, the only way to absolutely guarantee that information on a hard drive is irretrievable may be to destroy the hard drive (which may not be practicable).

1. Map the organizational communication and data flows within and outside the Company;
2. Ranks its Assets and Systems from most-to-least vital in terms of the degree to which the incapacity or destruction of such Assets and Systems would have a debilitating impact on the Company (as noted in above Inventory);
3. Limits access to Assets and Systems to authorized users, processes and devices, and to authorized activities and transactions;
4. Manages identities and credentials for authorized devices and users;
5. Protects network integrity by incorporating network segregation where appropriate;
6. As frequently as necessary, updates Company's anti-virus software and firewalls and considers whether such software and firewalls should be upgraded or replaced;
7. Implements and updates when necessary Company's network intrusion detection system (via BAE Systems/SilverSky Vulnerability Defense);
8. Backs up all critical client and firm data as frequently as necessary in a manner where such data is not linked to current systems (*i.e.,* physically separate system);
9. Manages technical security solutions to ensure the security and resilience of Assets and Systems, consistent with related policies, procedures and agreements;
10. Periodically cross checks known cybersecurity threats to Company's countermeasures to such threats;
11. Implements as soon as reasonably possible defensive measures and other safeguards against any cybersecurity threats newly discovered or not otherwise protected Company's cybersecurity procedures;
12. Protects removable media and its use restricted according to policy.

**Monitoring and Detection**

Company will monitor Assets and Systems at discrete intervals to identify cybersecurity events and verify the effectiveness of protective measures. This will include:

1. The network to detect potential cybersecurity events;
2. The physical environment to detect potential cybersecurity events;
3. The personnel activity to detect potential cybersecurity events;
4. For signs of malicious code;
5. For evidence of unauthorized mobile code;
6. For unauthorized personnel, connections, devices, and software; and
7. By performing vulnerability scans.
8. Limit the universe of information that is susceptible to a data breach by reviewing and reassessing record/data and destroying unneeded data if permitted by books and records requirements of applicable statutes and regulations, including Rule 204-2 under the Advisers Act, and Company's Books and Records Procedures; and
9. When replacing a computer or other equipment that holds data on a hard drive, such data is completely erased. In some cases, the only way to absolutely guarantee that information on a hard drive is irretrievable may be to destroy the hard drive (which may not be practicable).
10. Data breaches resulting from the loss or theft of personal communications devices containing or having access to confidential client data, such as information in corporate email;
11. Limit or prohibit wireless network communications to and from a mobile device across unsecured wireless access points (*e.g.,* public Wi-Fi hotspots located in many airports);
12. Data leakage concerns involving corporate data accessible via an app on such a device (*e.g.,* Dropbox), and the difficulties in controlling the flow of proprietary information and intellectual property outside the Company;
13. Surveillance obstacles in monitoring compliance on personal devices; and
14. Rogue software, apps, spyware, mobile adware (also known as "malware"), viruses and worms that can infect devices. These threats can compromise not only a device itself, but also can spread Company's corporate network and infect other machines. For example, a brand of cell phone running one particular operating system version (*e.g.,* iOS x.1.1) could be vulnerable to exposing access to contacts, calendars, and other information, and to a vulnerability permitting the passcode to be circumvented

**Escalation and Responding to a Cybersecurity Attack**

Company will take immediate action regarding a detected cybersecurity event that, at a minimum includes:

1. Reporting any potential or known incident to Compliance. Such information may involve sharing with internally and externally individuals consistent with established criteria to achieve broader cybersecurity situational awareness;
2. Compliance and IT can begin to deal with a data breach as soon as it is discovered, prepare an Incident Report (as noted below);
3. Activating pre-existing measures, including a vulnerability management plan and patches, designed to contain the impact of a potential cybersecurity event;
4. Performing forensics and analysis as soon as possible to understand the nature of the cybersecurity event; and
5. Performing activities to prevent expansion of an event, mitigate its effects, and eradicate the incident. This may include shutting down systems, account(s), logins, etc.
6. Coordinating restoration activities with internal and external parties, such as coordinating centers, Internet service providers, owners of attacking systems, victims, other CSIRTs, and vendors; and
7. Remotely wipe a lost or stolen device, through either a selective wipe of strictly corporate data or a full wipe of the entire device, restoring it to factory default settings.
8. Issuing and transmitting alerts to clients and vendors when there are actual cybersecurity attacks or potential cybersecurity attack risks are uncovered; and
9. Maintaining records of cybersecurity alerts issued by the Company.

**Recovery and Incident Reports**

Company shall provide a brief summary for each category listed below:

* Malware was detected on one or more Firm devices. Please identify or describe the malware.

• The availability of a critical Company web or network resource was impaired by a software or hardware malfunction. Identify the service affected, the nature and length of the impairment, and the cause.

• Company’s network was breached by an unauthorized user. Describe the nature, duration, and consequences of the breach, how the Company learned of it, and how it was remediated.

• Company received fraudulent emails, purportedly from customers, seeking to direct transfers of customer funds or securities.

• Company was the subject of an extortion attempt by an individual or group threatening to impair access to or damage Company’s data, devices, network, or web services.

• An employee or other authorized user of the Company’s network engaged in misconduct resulting in the misappropriation of funds, securities, sensitive customer or Company information, or damage to the network or data.

• Indicate whether any incident was reported to the following:

* + Law enforcement (please identify the entity)
  + FinCEN (through the filing of a Suspicious Activity Report)
  + FINRA
  + A state or federal regulatory agency (identity the agency and explain the manner of reporting)
  + An industry or public-private organization facilitating the exchange of information about cybersecurity incidents and risks

Incident Reports will be created identifying:

* The number of such incidents (approximations are acceptable when precise numbers are not readily available);
* Describing their significance and any effects on the Company, its customers, and its vendors or affiliates;
* If the response to any one item includes more than 10 incidents, note the number of incidents and describe incidents that resulted in losses of more than $5,000, the unauthorized access to customer information, or the unavailability of a service for more than 10 minutes;
* The description should, at a minimum, include: the extent to which losses were incurred, customer information accessed, and services impacted; the date of the incident; the date the incident was discovered and the remediation for such incident. (Include incidents that occur even if such an incident resulted from an accident or negligence, rather than deliberate wrongdoing);
* Any complaints or notices of cybersecurity incidences by a client with the date, description, and any remediation efforts; and
* Whether Company's cybersecurity insurance, if any, covered an incident and whether an insurance claim was filed related to the incident.

**Third Party Vendors**

With respect to third party vendors, Company will:

1. Ascertain its dependencies on third-party vendors;
2. When entering agreements and renewing existing agreements with vendors, review and reassess service contracts with vendors to ensure that privacy and computer security issues are adequately addressed and, based on this assessment, consider whether an amendment to a vendor contract may be necessary;
3. Request and review the cybersecurity policies and procedures of each applicable vendor to ascertain their adequacy;
4. Coordinate with vendors so that Company can receive information from them that enables collaboration and risk-based management decisions within the Company in response to events;
5. Routinely and actively share information with vendors to ensure that accurate, current information is being distributed and consumed to improve cybersecurity before a cybersecurity event occurs;
6. If appropriate, periodically obtain certifications from vendors regarding the occurrence of any known cybersecurity attacks and whether the Company was notified of such attacks;
7. Periodically review its policies with insurance companies to verify that such policies cover losses and expenses attributable to cybersecurity incidents; and
8. Ensure that applicable third-party vendors (*e.g.,* suppliers, customers, partners) will understand roles and responsibilities.

**Mobile Devices and the Cloud**

Company allows the use of mobile devices for such processes like internet and email. In addition, Company policies and training instill the prohibition of using such devices in unsecured, public Wi-Fi areas.

**Employees**

Company understands that its cybersecurity program will only be effective to the extent that its employees are trained, and their activities do not contribute to a cybersecurity attack. With respect to employees, Company requires employees to practice computer security best practices (*e.g.,* use passwords with a mix of uppercase and lowercase letters, numbers, and symbols);

**Disclosure**

Where appropriate, a description of Company's cybersecurity procedures may be disclosed in any applicable Company brochure, web site and other materials and, if applicable, the risks of cybersecurity attacks shall be included in such disclosure. Morris Monroe and Compliance shall make such determination.

**Client Notification**

As soon as reasonably possible after a material cybersecurity breach occurs, Company shall notify clients impacted by such breach in accordance with Company's Identity Theft Prevention Program, and

* the date or date range of occurrence,
* the type of information compromised and
* if applicable, steps clients should take to protect themselves (including contact information for law enforcement and/or consumer reporting agencies that client may need to report the incident or get additional assistance).

**Testing**

Company maintains an environment for testing (at a minimum with the annual review). It shall record the date of such testing, the type of test performed, the results of the test and changes or other actions taken in response to the testing results. Company shall test:

* Functionality of its backup system;
* Response and recovery plans;
* Detection processes and their reliability.

Where possible, Company shall use the analysis of its tests to improve cybersecurity defensive measures.

### 8.4.4 Training

Company trains its personnel on cybersecurity risks and responsibilities. At a minimum:

1. Provides awareness education and conducts training to make employees aware of the various computer threats so they can be recognized when they occur;
2. All users of Assets and Systems will be informed and trained, including their information security-related duties and responsibilities;
3. Privileged users (*i.e.,* users with higher clearance and greater access to Assets and Systems) will understand their roles and responsibilities; and
4. Where appropriate, personnel shall periodically attend external seminars and other events about cybersecurity threats, including such events sponsored by vendors or Company.

## **8.5 Regulation S-AM - Limitations on Affiliate Marketing** *(eff 6/01/10)*

Regulation S-AM limits use of certain information received from Company's affiliates to solicit a consumer for marketing purposes.

### 8.5.1 Definitions and Information

***“Eligibility Information”***means any communication of bearing on a consumer’s credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living that is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer’s eligibility for credit or insurance to be used primarily for personal, family, or household purposes or employment purposes.

***“Marketing Solicitation”***means the marketing of a product or service initiated by the Company to a particular consumer that is (i) based on eligibility information communicated to the Company by its affiliate; and (ii) intended to encourage the consumer to purchase or obtain such product or service.

Consumers may block the use of certain financial information by affiliates of the person the consumer does business with. Company does not currently use any affiliate customer “eligibility information” for marketing purposes. However, in the event this changes in the future, Company may use such eligibility information with the affiliate if:

* the potential market use of the information has been clearly, conspicuously, and concisely disclosed to the consumer;
* the consumer has been provided with reasonable opportunity to opt out; and
* the consumer has not opted out.

Company will only use information from affiliates if the above requirements are satisfied. Opt-out notices under Regulation S-AM may be included with Regulation S-P opt-out notices.

## **8.6 S-ID - Identity Theft Prevention Program (“Program”)**

Pursuant to the SEC’s Regulation S-ID, the Company has determined that it is a “Financial Institution,” and therefore has adopted this Identity Theft Prevention Program. It is designed to identify, detect and respond to patterns, practices and specific activities (called "red flags") that could indicate identity theft. This Identity Theft Prevention Program addresses:

* identifying relevant identity theft red flags for the Company,
* detecting those red flags,
* responding appropriately to any that are detected to prevent and mitigate identity theft, and
* updating its Identity Theft Prevention Program periodically to reflect changes in risks.

The following procedures have been adopted in order to detect, prevent and mitigate identity theft among the Company’s clients and “Covered Accounts.”

Morris Monroe, as the designated Information Security Officer, will be responsible for the development, implementation, supervision, and review of the Program as well as Cybersecurity procedures. In addition, Company has adopted other procedures under Regulation S-P that, in conjunction with this Program, will help prevent and mitigate identity theft.

### 8.6.1 Definitions

**Financial Institution**: A depository institution or any other person that directly, or indirectly, holds a transaction account belonging to a customer

**Transaction Account**: An account that permits the account holder to make withdrawals for payment or transfer to third parties of securities or funds vial telephone transfers, check, debit card or other similar items.

**Consumer**: Refers only to Individuals.

**Creditor**: Any person who regularly extends, renews, or continues credit or regularly arranges for the extension, renewal or continuation of credit.

**Covered Account**: Refers to 1) an account offered or maintained primarily for personal, family or household purposes that is designed to permit multiple payments or transactions; or 2) any other account for which there is a foreseeable risk to customers or safety and soundness of the member firm from identity theft, including financial, operational, compliance, reputation or litigation risks.

### Procedures

The following Program procedures have been adopted:

1. **Method of Opening Accounts**: Information obtained from customers at the account opening process include name, address, social security number, date of birth, and driver’s license in order to verify identity. In addition, pursuant to SEC Rule 17a-3, a letter is sent to the customer verifying investment objectives and account registration information to verify as well. In the event the Company cannot establish a reasonable belief that it knows the true identity of a customer, we will follow our identification obligations, which may involve declining an account. A full description of the account opening procedures may be found in Chapter 5 of this Compliance Manual.

Further, accounts are opened directly with a custodian either via their proprietary software programs or directly. No Company accounts are opened directly by clients online.

2**. Methods for Accessing Accounts**: Client accounts are accessed with custodian via a secured internet based software program or website that requires a password protected user identification. Passwords automatically expire and must be updated periodically, must contain alpha-numerical characters, and are case sensitive. Company policies require that user identification and passwords for all programs and entry to the network be kept confidential, unpublished, and contain alpha-numerical characters that are case sensitive.

3**. Previous Experience with Identity Theft**: At the implementation of the Program, the Company has not experienced any identity theft incidences. However, as part of the ongoing monitoring of the Program, this will be taken into consideration when updating the procedures of the Program.

4**. Service Providers**: Due diligence will be performed on any service provider that will have access to customer personal information. Pursuant to Regulation S-P procedures as well, service providers will be bound contractually, where applicable, and obligated to maintain appropriate safeguards that comply with federal regulations to protect the confidentiality, security and integrity of Covered Account information as well as agree to comply with the provisions of our Program or with their own procedures that are similar in purpose.

5. **Address Change Notifications**: Address changes are verified by forwarding a letter of verification to the old address first with the new information listed and before any system change is affected. The notice advises the customer of the request and inquires if the information is correct and in fact requested by the customer. Either a copy of said letters are maintained in a central location or noted with a date sent in WinOps. In addition, Company may rely on custodian sending such letter with that sent information either recorded in custodian database or in WinOps.

### 8.6.3 Red Flags *(eff 11/20/13)*

Pursuant to the above Program assessment, Company has identified the following red flags, which may not be all inclusive and may be more relevant when combined with other factors. Detecting red flags is based upon the processes in which Company opens and handles accounts and customer information.

***Indicators at the Account Opening Stage****:*

* A customer exhibits an unusual concern regarding the Company’s compliance and requirements with respect to his/her identity, or furnishes unusual or suspect identification or business documents;
* Inconsistencies in information such as SS#, date of birth or suggests fraud, such as an address that is fictitious or used by other multiple accounts, a mail drop, a prison; or a phone number is invalid, or is for a pager or answering service, omits or is reluctant to provide information.
* A customer appears to be acting as the agent for another entity but declines, evades or is reluctant, without legitimate commercial reasons, to provide any information in response to questions about the entity;
* A customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her identity; and
* A customer only wants to provide a post office box for their address without providing a verifiable physical address.

***Indicators Related to Account Activity****:*

* A customer engages in multiple transfers of funds or wire transfers that have no apparent personal or business purpose;
* Unauthorized transactions;
* Customer notice of identity theft, a fraudulent account has been opened, unauthorized access to their personal information due to a data breach or lost wallet, laptop, etc. for potential identity theft;
* A customer’s account has unexplained or sudden extensive wire activity, where previously there had been little or no wire activity without any apparent personal or business purpose;
* A customer has a large number of wire transfers to unrelated third parties;
* For no apparent reason, a customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers;
* A customer engages in excessive journal entries between unrelated accounts without any apparent business purpose or relationship;
* A customer requests that a transaction be processed in such a manner so as to avoid the firm’s normal documentation requirements;
* Subsequent to a change of address request for an account, Company is asked to add additional access means (such as debit cards or checks) or authorized users for the account;
* Mail from Company or custodian sent to a customer is returned repeatedly as undeliverable even though the account remains active or Company learns that a customer is not getting his or her paper account statements/confirms or other official documents.
* A customer exhibits a total lack of concern regarding risks, fees, or other account costs;
* The Company receives a negative response to a customer’s address change verification request; and
* Notice of an actual or suspected identity theft provided by a customer, law enforcement, vendor or any individual or entity.

Both red flag detection and the escalation procedures below will assist the Company in the prevention and mitigation of identity theft.

#### Red Flags Grid

In addition to the information provided above, Company has added the Identification and Detection Grid below as a helpful guide and examples of red flags as an additional tool for Company to use.

|  |  |
| --- | --- |
| **Red Flag** | **Detecting the Red Flag** |
| **Category: Suspicious Documents** | |
| Identification presented looks altered or forged. | Staff who deal with customers and their supervisors will scrutinize identification presented in person to make sure it is not altered or forged (additionally reviewed electronically by Compliance Dept.). |
| The identification presenter does not look like the identification’s photograph or physical description. | Staff who deal with customers and their supervisors will ensure that the photograph and the physical description on the identification match the person presenting. |
| Information on the identification differs from what the identification presenter is saying. | Staff who deal with customers and their supervisors will ensure that the identification and the statements of the person presenting it are consistent. |
| Information on the identification does not match other information the firm has on file for the presenter, like the original account application, signature card or a recent check. | Staff who deal with customers and their supervisors will ensure that the identification presented and other information on file from the account, such as those listed. |
| The application looks like it has been altered, forged or torn up and reassembled. | Staff who deals with customers and their supervisors will scrutinize each application to make sure it is not altered, forged, or torn up and reassembled. |
| **Category: Suspicious Personal Identifying Information** | |
| Inconsistencies exist between the information presented and other things we know about the presenter or can find out by checking readily available external sources, such as an address that does not match a consumer credit report, or the Social Security Number (SSN) has not been issued or is listed on the Social Security Administration's (SSA’s) Death Master File. | Schwab checks personal identifying information presented to ensure that the SSN given has been issued but is not listed on the SSA’s Master Death File. If we receive a consumer credit report, they will check to see if the addresses on the application and the consumer report match. |
| Inconsistencies exist in the information that the customer gives us, such as a date of birth that does not fall within the number range on the SSA’s issuance tables. | Schwab checks personal identifying information presented to us to make sure that it is internally consistent by comparing the date of birth to see that it falls within the number range on the SSA’s issuance tables |
| Personal identifying information presented has been used on an account our firm knows was fraudulent. | Schwab and Staff will compare the information presented with addresses and phone numbers on accounts or applications we found or were reported were fraudulent. |
| Personal identifying information presented suggests fraud, such as an address that is fictitious, a mail drop, or a prison; or a phone number is invalid, or is for a pager or answering service. | Schwab validates the information presented when opening an account to ensure they are real and not for a mail drop or a prison, and will call the phone numbers given to ensure they are valid and not for pagers or answering services. |
| The SSN presented was used by someone else opening an account or other customers. | Staff will compare the SSNs presented to see if they were given by others opening accounts or other customers. |
| The address or telephone number presented has been used by many other people opening accounts or other customers. | Staff will compare address and telephone number information to see if they were used by other applicants and customers. |
| A person who omits required information on an application or other form does not provide it when told it is incomplete. | Staff will track when applicants or customers have not responded to requests for required information and will follow up with the applicants or customers to determine why they have not responded. |
| Inconsistencies exist between what is presented and what our firm has on file. | Staff will verify key items from the data presented with information we have on file. |
| A person making an account application or seeking access cannot provide authenticating information beyond what would be found in a wallet or consumer credit report, or cannot answer a challenge question. | Staff will authenticate identities for existing customers by asking challenge questions that have been prearranged with the customer and for applicants or customers by asking questions that require information beyond what is readily available from a wallet or a consumer credit report. Such items may include  1. Their listed emergency contact person;  2. Where their account is held;  3. Any Company communication they could site recently received;  4. Any other questions that may be unique to that person(s). |
| **Category: Suspicious Account Activity** | |
| Soon after our firm gets a change of address request for an account, we are asked to add additional access means (such as debit cards or checks) or authorized users for the account. | Verify change of address requests by sending a notice of the change to the old addresses so the customer will learn of any unauthorized changes and can notify us. A phone call may also be necessary if suspect. |
| A new account exhibits fraud patterns, such as where a first payment is not made or only the first payment is made for cash advances and securities easily converted into cash. | Review new account activity to ensure that any applicable first and subsequent payments are made. |
| An account develops new patterns of activity, such as nonpayment inconsistent with prior history, a material increase in credit use, or a material change in spending or electronic fund transfers. | Account activity and Schwab Alerts viewed on a daily basis for suspicious new patterns of activity such as nonpayment or a big change in spending or electronic fund transfers that Company is not already aware of. |
| An account that is inactive for a long time is suddenly used again. | Account activity reviewed on a daily basis to see if inactive accounts become very active by reviewing the daily download. |
| Mail our firm sends to a customer is returned repeatedly as undeliverable even though the account remains active. | Note any returned mail for an account and immediately check the account’s activity and attempt to contact customer for address verification. |
| Company learns that a customer is not getting his or her paper account statements. | Investigate and assist custodian to determine a good address. |
| Company is notified that there are unauthorized charges or transactions to the account. | Verify if the notification is legitimate and involves a Company account, and then investigate the report. |
| **Category: Notice From Other Sources** | |
| Company is told that an account has been opened or used fraudulently by a customer, an identity theft victim, or law enforcement. | Verify that the notification is legitimate and involves a Company account, and then investigate the report and follow the escalation procedures. |
| Company learns that unauthorized access to the customer’s personal information took place or became likely due to data loss (e.g., loss of wallet, birth certificate, or laptop), leakage, or breach. | Contact the customer to learn the details of the unauthorized access to determine if other steps are warranted and any other escalation procedures that may be applicable. |

### 8.6.4 Escalation Procedures

Below is a checklist of steps the Company may take if it learns that an unauthorized person may have gained entry to a customer’s brokerage account:

* Notify the Compliance Department immediately and designated supervisor.
* Contact Custodian and follow their procedures and submit any applicable forms required.
* Monitor, limit, or temporarily suspend or freeze activity in the account(s) until the situation is resolved.
* Complete the following:

1. ID Theft Log,

2. ID Theft Incident Form, and

* Conduct additional verification such as contacting the customer, compare customer information with a credit reporting agency or obtaining copies of Form 1040 or financial statements.
* Alert applicable Associated Persons or backoffice personnel to be mindful of unusual activity in other customer accounts.
* Contact the customer and, if appropriate, change the password and/or account number. For information that the firm can use to help a customer that has been the victim of identity theft direct them to <http://www.finra.org/Investors/ProtectYourself/AvoidInvestmentFraud/ProtectYourIdentity/> for further and helpful information or by calling the FTC Identity Theft Hotline at 1-877-ID-THEFT (438-4338), TTY 1-866-653-4261, or writing to Identity Theft Clearinghouse, FTC, 6000 Pennsylvania Avenue, NW, Washington, DC 20580, or their website at <http://www.ftc.gov/bcp/edu/microsites/idtheft/> and their online Complaint Form at <https://www.ftccomplaintassistant.gov/>.
* Notify custodian of the situation.
* Identify, if possible, the root cause of the account intrusion (i.e. which system was compromised, was the individual account hacked, was the customer the victim of identity theft) and determine whether the intrusion is isolated to one account.
* In the event of an account intrusion of theft, contact the [SEC](javascript:outsideLink('http://www.sec.gov/contact/addresses.htm');) at **(202) 942-8088** (<http://www.sec.gov/contact/addresses.htm>) – FW Regional office **(817) 978-3821**, and have the following information readily available if possible:

- Company information and custodian information,

- Company name and CRD number

- Company contact name and telephone number

- Date(s) and time(s) of activity

- IP addresses used to access the account

- Security or securities involved (name and symbol)

- Time and date of the activity

- Details of the trades or unexecuted orders

- Details concerning any wire transfer activity

- Customer account affected by the activity, including name and account number

- Whether the customer has been or will be reimbursed and by whom

* If appropriate, contact law enforcement agencies, such as the [FBI](javascript:outsideLink('http://www.ic3.gov/default.aspx');) at [www.ic3.gov](http://www.ic3.gov) (Internet Crime Complaints) or, if the U.S. mail is involved, the [United States Postal Inspector](javascript:outsideLink('http://postalinspectors.uspis.gov/contactUs/phoneus.aspx');) at **(877) 876-3455** or <http://postalinspectors.uspis.gov/contactus/phoneus.aspx>.
* Contact the TX State Securities Board at **(512) 305-8300**.
* Determine whether any unauthorized person has gained access to an account holder’s personally identifiable information and, if so, whether the Company must provide a specific type of notification to the customer or others under [state law](javascript:outsideLink('http://www.ncsl.org/programs/lis/cip/priv/breach.htm');) regarding the loss of the customer’s information.  Some states require notice to the Attorney General or other state law enforcement agencies if a customer’s “[personally identifiable financial information](javascript:outsideLink('http://www.sec.gov/rules/final/34-42974.htm');)” has been compromised (TX Attorney General – Consumer Protection Hotline **(800) 621-0508.** Additional information at

<http://www.ncsl.org/programs/lis/cip/priv/breach.htm>.

* Determine whether the Company should file a Suspicious Activity Report (SAR) under the federal anti-money laundering provisions.

## **8.7 Training**

At a minimum, annual training will be conducted for all Associated Persons and related staff members in order to familiarize Company personnel on the procedures of Privacy procedures and Red Flags, how to effectively implement the programs, and provide an opportunity to answer questions. Any training will be documented along with an attendance log and maintained as part of the Company’s books and records for a period of three years unless mandated otherwise by the Act.

## **8.8 Review of Procedures**

A review of these programs will be conducted at least annually or sooner if determined necessary. Any changes in risk to customers and/or the soundness of the Company will be determined and recorded as an amendment. Criteria for consideration will include any incidences of identity theft, privacy breaches, changes in regulatory rules and regulations, changes in Company’s methods to detect, prevent, or mitigate identity theft, or changes in types of Covered Accounts to name a few.

THESE PROCEDURES HAVE BEEN REVIEWED AND APPROVED:

MLM

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ 12/xx/1X

Morris Monroe Date

# 9. CODE OF ETHICS

## **9.1 Introduction**

The Company recognizes its fiduciary responsibility to its clients. It is the duty and responsibility of the Company and Associated Persons to comply with Federal securities laws and place the interest of the Company’s clients first. Associated Persons shall refer to shareholders, officers, employees, registered agents, and employees. All personal securities transactions are to be conducted consistent with this Code of Ethics, and in such a manner to avoid any actual or potential conflict of interest or to abuse an individual’s position of trust and responsibility.

No person associated with the Company should take inappropriate advantage of his or her position and must adhere to all federal and state securities laws and these standards of business conduct. In addition, it is imperative that Associated Persons understand the value Company places on ethical behavior and strive to live up to those ideals.

## **9.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Chief Compliance Officer, Morris Monroe |
| **Statutes/Rules** | * Form ADV under the Investment Advisers Act of 1940 * Section 204A of the Investment Advisers Act of 1940 |
| **Frequency** | * Each time Company hires a new employee * Each time an employee places a securities trade or comes into possession of inside information * Quarterly review of employee trades |
| **Records** | * Records of employee trades * Code of Ethics Acknowledgements * Training records |

## **9.3 Personal Transactions & Holding Reports**

Access Persons (i.e., supervised persons that have access to nonpublic information regarding recommendations to clients on the purchase or sale of securities, clients’ trading information or nonpublic information regarding the portfolio holdings of an affiliated mutual fund, or are involved in providing investment advice to clients) report their personal securities holdings within 10 days of becoming an access person and annually thereafter (if the account is held outside the Company or Woodlands Securities Corporation (“WSC”) or if the Company/WSC does not already receive duplicate confirmations/statements. Such filings are to be reviewed by Morris Monroe or his designee and retained by Company for a period of three years. This information must be current as of a date not more than 45 days prior to the date the individual becomes an Access Person or, for an annual report, the date the report is submitted. Access Persons also must report their personal trading activities, if any, quarterly to Company or designated persons within 30 days after the close of the quarter, unless already received by the Company or WSC. Access Person’s quarterly trade reports and any securities holding reports will be maintained by Company in a central location. In addition, a list of Access Persons is included in “Exhibit A” attached hereto.

Securities exempt from personal trading reports are:

* 1. Transactions and holdings in direct obligations of the Government of the United States;
  2. Money market instruments — bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  3. Shares of money market funds;
  4. Transactions and holdings in shares of other types of mutual funds, unless the adviser or a control affiliate acts as the investment adviser or principal underwriter for the fund;
  5. Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds; and
  6. Interests in a 529 Plan, provided the Company, nor any companies under its common control manage, distribute, market, or underwrite the 529 Plan or investments and strategies underlying the 529 Plan.

Given that Company primarily recommends and invests in mutual funds for Registered Investment Advisory clients, no individuals may directly affect a mutual fund’s price. At no time should personal transactions of Company Associated Persons be of such size to affect mutual fund pricing indirectly. Therefore, Company Associated Persons may trade in mutual fund issues being traded for clients on the same day or before or after trades are placed for clients. Personal transactions may not involve market timing or late trading of mutual funds.

Principals and designated, authorized employees of the Company may execute orders on behalf of the Company, their own accounts or other accounts, however, it is a policy of the Company that they must avoid security transactions and activities for these accounts which might conflict with or be detrimental to the interests of clients, or which are designed to profit by market effect of the Company’s advice to its clients. These rules should not be construed in any way that would place the Company’s clients in a disadvantaged trading position.

To the extent that Company Associated Persons are aware of trades in individual issues being considered, recommended, or traded for Company clients, Associated Persons will make every effort to trade in their own accounts after trades are executed for clients. However, at no time are Company client trades or Company Associated Person trades expected to be of such volume as to affect the price of an individual issue.

## **9.4 Insider Information**

No employee of the Company will undertake securities transactions for their ownaccount, for accounts in which they have a beneficial interest or for Clients’ accounts on the basis of insider information.

## **9.5 Hot Issues/IPOs**

Issues that immediately trade at a premium to the IPO price or declared a "Hot Issue" by the underwriter must be allocated only to non‑restricted accounts as defined by FINRA. The distribution of equity initial public offering (IPO) shares must be a *bona fide* public offering and fair distribution to the public. This means sales will not be made to benefit insiders in the securities industry or to other closely-related parties that might unfairly benefit at the expense of public customers. Associated Persons of the Company are prohibited from participating in hot issues or equity IPOs.

## **9.6 Commingling**

Company employees are not permitted to place customers' checks or money intended for transactions involving securities into their own bank account or insurance business account, regardless of the amount of money or the length of time involved. Mishandling customer funds could result in prosecution by state or federal criminal agencies.

## **9.7 Front Running**

New issues of securities that immediately begin trading at a higher price than originally offered must be distributed to the public. They may not be placed in employee accounts under any circumstances, and only under strict guidelines may they be placed in the accounts of financial services industry personnel or their immediate families. In addition, front running involves Associated Person who either buy for their own account before filling customer buy orders that drive up the price, or sell for their own account before filling customer sell orders that drive down the price. Associated Persons will make every effort to trade in their own accounts after trades are executed for clients. However, at no time are Company client trades or Company Associated Person trades expected to be of such volume as to affect the price of an individual issue or Associated Person trades represent a material difference in price of client trades.

## **9.8 Conflicts of Interest**

Avoid conflicts of interest in transactions with customers unless fully disclosed to clients so an informed decision can be made.  In some instances, Associated Persons may invest in the same issues as clients or if any financial interest is received from an investment, it must be disclosed to clients.

## **9.9 Parking Securities and Maintaining Fictitious Accounts**

Holding or hiding securities in someone else's or a fictitious account is misleading and strictly prohibited.

## **9.10 Private Placements**

Investing in private placements by Associated Persons must be cleared by Morris Monroe and disclosed in writing at the time of recommendation to a client or disclosed in the offering memorandum or the Form ADV Part 2 given to the client. Any approval will be evidenced by Morris Monroe’s initial/date on the Subcription Document.

## **9.11 Gifts or Gratuities**

No Company Associated Person may give or accept gifts of more than $100 per year in value from any person or entity conducting business with or on behalf of Company.

## **9.12 Personal Trading Review**

Trades through Company and/or WSC are reviewed for violations of any industry or Company rules by Laura Hendricks and or back office personnel and maintained quarterly by manual report in a centralized location. Outside personal trading accounts are reviewed and compared at least monthly or quarterly (when received) by Compliance or back office personnel depending on the frequency of statements.

## **9.13 Outside Business Activities**

No Company Associated Person may serve on the board of directors of a publicly traded company without written permission from Morris Monroe. All outside business activities must be disclosed to Morris Monroe or Compliance prior to or promptly after affiliation with Company.

## **9.14 Violations**

Any violations of this Code should be reported to Morris Monroe or Laura Hendricks. Supervised and Access Persons are encouraged to report any violations and will be protected from retaliation. Any individual of the Company who is the subject of a Code of Ethics violation report and who retaliates against the reporting employee shall be subject to serious sanctions, including termination of employment. Reports of violations will be investigated and appropriate actions will be taken by Morris Monroe. When investigating a possible violation of the Company's personal trading rules, the CCO will give such person an opportunity to supply additional information regarding the transaction in question.

## **9.15 Recordkeeping**

Pursuant to Rule 204A-I, the Company will maintain a copy of its Code of Ethics in the Compliance Manual, maintain a record of any violations and any actions taken in response to any violations in the Company records, and a copy of the supervised person’s written acknowledgement and receipt of the Code of Ethics.

## **9.16 Review of the Code of Ethics**

The Code will be reviewed at least annually by Morris Monroe and/or Laura Hendricks with any applicable changes adopted at that time. All new Supervised or Access Persons will sign the Code of Ethics Acknowledgment at the time they become supervised or Access Persons. In addition, any amendments will be signed as well with the date of the amendment noted on the acknowledgment. Any Acknowledgments will be maintained for a period of three years after applicable persons’ termination.

# 10. ADVERTISING & COMMUNICATIONS

## **10.1 Introduction**

Federal and state securities laws prohibit the use of advertisements and sales literature in connection with the giving of investment advice that is false, creates an improper impression, or omits to state information necessary to make other statements not misleading.

## **10.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Chief Compliance Officer, Morris Monroe |
| **Statutes/Rules** | * Rule 156 under the Securities Act of 1933 * Rule 204-2(a)(11) under the Investment Advisers Act of 1940 * Rule 206(4)-3 under the Investment Advisers Act of 1940 * Telemarketing and Consumer Fraud and Abuse Prevention Act |
| **Frequency** | * Prior to each time a marketing piece is disseminated |
| **Records** | * Advertisements * Account Information Supporting Performance Figures * Referral Arrangement Documents * Sales Literature * Correspondence records |

## **10.3 General**

“Advertising" is defined as any material published or designed for use in periodicals, radio, television, telephone or tape recordings, video displays, signs or billboards, motion pictures, telephone directories or other public media. It also refers to communications with clients - i.e. any written or electronic communication, an independently prepared reprint institutional sales material and correspondence, that is generally distributed or made available to customers or the public, including circulars, research reports, market letters, performance reports or summary, form letters, letterhead, business cards, telemarketing scripts, seminar texts, reprints (that are not independently prepared reprints) or excerpts of any other advertisement, sales literature or published article, and press releases concerning a company’s products.

Form letters in format can be either substantially or essentially identical. Any letter shall be considered a form letter if the content is generally the same and just the name, address, and other personal information is changed or inserted.

Morris Monroe or Compliance will have the responsibility to supervise the advertising activities of the Company and ensure that all records relating thereto are maintained in accordance with these procedures and regulatory rules.

The Advisers Act prohibits advisers from making misleading statements or omitting material facts in connection with conducting an investment advisory business. In accordance with such prohibitions, Company will not:

* Use testimonials, as prohibited by the Advisers Act;
* Represent or imply that Company has been sponsored, recommended or approved, or that its abilities or qualifications have in any respect been passed upon by the Securities & Exchange Commission or any officer of the Commission. This is prohibited by the Advisers Act. Also, Company will not use the initials R.I.A. ("Registered Investment Adviser") following a name on printed materials pursuant to Commission rules which state this would be misleading because, among other things, it suggests that the person to whom it refers has a level of professional competence, education, or other special training, when in fact there are no specific qualifications for becoming a registered investment adviser.
* Refer to past, specific, profitable, recommendations made by Company, without the advertisement setting out a list of all recommendations made by Company within the preceding period of not less than one year, and compliance with other specific conditions.
* Represent that any graph, chart, formula or other device can, in and of itself, be used to determine which securities to buy or sell, or when to buy or sell such securities, or can assist persons in making those decisions, without the advertisement prominently disclosing the limitations and the difficulties regarding its use.
* Represent that a report, analysis or other service was provided without charge, when the report, analysis, or other service was provided with some obligation.

## **10.4 Performance Claims**

Company typically does not engage in performance advertising to the mass general public. However, in accordance with SEC rules, Company will not:

* Create distorted performance results by constructing composites that include only selected profitable accounts, or are for selected profitable periods;
* Compare Company’s performance to inappropriate indices (*e.g.*, stating or implying that a dissimilar index is comparable to Company's investment strategies);
* Represent or imply that model or back-tested performance is actual performance;
* Fail to deduct adviser's fees from performance calculations, without disclosure; and
* Represent falsely Company's total assets under management, credentials, or length of time in business.

### 10.4.1 One-on-One Presentations

Prospective clients may ask about the investment performance of the existing clients of the Company. SEC guidelines governing what disclosure must be made when performance is presented in a one-on-one presentation are less stringent than general advertisements. A "one-on-one" presentation can be made to more than one person provided the setting is private and confidential and the clients or prospective clients have the opportunity to discuss with the adviser the kind of fees it charges. In *Investment Company Institute (pub. avail. Sept. 23, 1988)*, the SEC set forth the conditions that must be met when an investment adviser presents gross performance in a one-on-one presentation.

When the Company presents its performance results to clients in one-on-one meetings, the presenter will make the following disclosures:

1. Whether the performance fees are net of advisory fees, if applicable;
2. If advisory fees are not deducted from performance figures, that the client's returns will be reduced by the advisory fee and any other expenses the client may incur in the management of the account; and
3. That Company’s advisory fees are disclosed in its ADV Part 2A Disclosure Brochure.

## **10.5 Communications with the Public**

It is the policy of the Company that all communications with the public shall be based on principles of fair dealing and good faith and shall provide a sound basis for evaluating the merits of any security or type of security, industry discussed, or service offered by the Company. No material fact or qualification may be omitted if the omission, in light of the context in which the material is presented, would cause the advertising or sales literature to be misleading. Exaggerated, unwarranted or misleading statements or claims shall not be used in any public communication made by the Company. Furthermore, the Company shall not, directly or indirectly, publish, circulate or distribute any public communication that the Company knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

Advertisements and sales literature shall contain the name of the Company. Records of sales literature shall contain the name of the person or firm preparing the material, if other than the Company, and the date on which it is first published, circulated or distributed. If the information in the material is not current, this fact should be stated. Statistical tables, charts, graphs or other illustrations used by the Company in advertising or sales literature must disclose the source of the information if not prepared by the Company. No claim or implication may be made for research or other facilities beyond those which the Company actually possesses or has reasonable capacity to provide.

The Company will use material referring to past recommendations only if it sets forth all recommendations as to the same type, kind, grade or classification of securities made by the Company within the last year. Longer periods of years may be covered if they are consecutive and include the most recent year.

The Company may also use material which does not make any specific recommendation, but which offers to furnish a list of all recommendations made by the Company within the past year or over longer periods of consecutive years, including the most recent year, if this list contains all the aforesaid information. Neither the list of recommendations, nor material offering such list, shall imply comparable future performance. Reference to the results of a previous specific recommendation is prohibited if the intent or the effect is to show the success of a past recommendation, unless all of the foregoing requirements with respect to past recommendations are met.

Communications with the public must not contain promises of specific results, exaggerated or unwarranted claims or unwarranted superlatives, opinions for which there is no reasonable basis, or forecasts of future events which are unwarranted, or which are not clearly labeled as forecasts. The Company prohibits the use of testimonials concerning the Company or quality of investment advice. Communications will be maintained to allow access and retrieval for a period of two years on-site and at an off-site location for an additional three years.

All advertising is to be submitted to Compliance, for approval on behalf of the Company as soon as is practicable prior to intended use. Accordingly, Compliance shall be responsible for maintaining a record of all advertising utilized by the Company together with a copy of such bearing initialed approval as evidence of compliance with applicable laws, regulations and rules.

## **10.6 Electronic Communications**

The following procedures have been developed by the Company to ensure that communications with the public, which are initiated by Associated Persons of the Company, and are disseminated through electronic media, comply with the approval, recordkeeping, and filing requirements of Company and regulatory rules. All communications with the public (i.e. Internet Postings), regardless of the medium, are subject to the antifraud provisions of the federal securities laws, and SEC rules. Accordingly, special care should be taken where a Company Associated Person transmits via e-mail, television, radio, or other electronic medium messages concerning a particular security to a broad universe of investors of varying financial sophistication, experience, and resources. In such circumstances, the suitability of the security should be determined with respect to each customer who responds to the message before effecting a transaction.

### 10.6.1 Email

Email directed only to an individual customers may be sent without prior approval as long as the email is archived and available for review. Laura Hendricks is responsible for reviewing emails and evidencing their review within the archived system.

**Individual Email**: In lieu of written correspondence, registered persons also may use Email to send personalized letters to individuals.

**Group Electronic Mail**: An identical electronic message sent to multiple individuals is subject to the prior, written approval of a Supervisor or Compliance. Group electronic mail may include form letters, brochures, research reports, and market commentaries. Group emails shall be approved by a designated Supervisor or Compliance prior to dissemination. When the group emails are sent, a list of recipients will be attached to an approved printed copy of the email and given to Compliance or designated personnel for record maintenance.

Employees are to make electronic communications via Company's email and other electronic communication systems primarily for business purposes. Although personal communications that is not directly related to the employee's role in the Company is acceptable, employees are expected to use good judgment, including the files sent and received.

Employees should have no expectation of privacy with respect to any electronic communications sent or received via Company equipment because such communications are deemed to be Company business records. Company has the capability and reserves the right to, for any reason, access, review, copy, disclose and disseminate to any party any message sent, received or stored through Company's email system.

For all emails and for the purpose of individual correspondence, the Company currently uses a web-based program called USA.net/Seccas to capture all incoming and outgoing email for home office and Lufkin Company agents. The web-based program captures and stores all email. If the reviewer feels that the correspondence may conflict with the Company standards, the reviewer shall consult with the representative, possibly take corrective action and contact the customer either verbally or in writing, if appropriate, to clarify any possible misunderstandings. Records of such actions and all approved email correspondence will be retained for three (3) years, two (2) in an easily accessible location. Reviews are typically conducted daily by Laura Hendricks of a random sampling of emails, but will conduct at a minimum, a weekly review of a random sampling of emails.

### 10.6.2 Instant & Text Messaging, Blogs, Social Media

Company strictly prohibits the use of these devices and all other personal electronic means for securities business activities when conducted outside archivable systems by Company. However, the use of a mobile device for securities related emails and/or the use of Company social networks such as Facebook, LinkedIn, etc., are permitted only if communications are conducted through the Company archived email system and/or Company is able to maintain any profile or site page records.

These guidelines apply only to work-related communications, sites, and issues and are not meant to infringe upon an Associated Person’s personal interaction or involvement online that are not related to Company or its business.

**Social Media**

Social Media includes:

* Facebook
* Twitter
* LinkedIn
* Blogs and micro-blogs
* YouTube
* Flickr
* MySpace
* Digg
* Reddit
* RSS
* Participation in interactive electronic forums such as chat rooms or online seminars
* Similar electronic communications

Company will treat all “static” social media communications as advertisements subject to the procedures of the WSP. Static content are postings like a profile, background or wall information and are permissible as long as the guidelines below are followed. Static content is generally accessible to all visitors and usually remains posted until it is removed.

Any third-party posts generally are not attributable to the Company and will deem such a post as an advertisement and subject to the procedures of the WSP if the Company:

* Is involved in the preparation of the content;
* Explicitly or implicitly endorses or approves the third-party static social media communication.

Non-static content are real-time, interactive communications, such as posts, tweets, status updates and comments. Since non-static content are spontaneous, there is no time for review and approval in advance of the content, however, may be used as long as conducted through a system where Company can post review and archive.

**Guidelines**

Without the express written permission of the Company CCO or Compliance, Associated Persons may not:

* Develop a website or write a blog that will mention any Company related or securities business.
* Speak on behalf of the Company in a social media communication.
* Sell or recommend any product or service that would compete with any of Company’s or WSC’s products or services.
* Use Company logos and trademarks in a social media communication (other than a disclosure related to “Securities offered through WSC, member FINRA and SIPC).
* Discuss competitors, clients, and vendors in a social media communication.
* Testimonials - Company periodically reviews social media sites for the detection of any testimonials. Upon finding such a statement or indication, Company will determine whether it will:
  + Request the sponsor or owner of the social media site to remove the favorable communication; and
  + If the communication cannot be removed, Company may remove itself form the site.
* Complaints – Company will treat any complaints posted by a client on a social media site as a complaint subject to the procedures in the WSP.
* Confidential Information – Associated Persons may not share information that is confidential and proprietary about the Company or its clients through a social media communication.

The CCO or Compliance may grant permission only if:

* The use of the social media is for business purposes only;
* The social media activity is appropriately supervised by the CCO or Compliance;
* Any communication is spoken respectfully about the Company and its employees, clients, partners, and competitors. Subject may not engage in name calling or behavior that will reflect negatively on Company’s reputation. Note that the use of copywritten materials, unfounded or derogatory statements, or misrepresentations are not viewed favorably by the Company and can result in disciplinary action up to and including termination.
* The communication is knowledgeable, accurate, and appropriately professional. Despite disclaimers, web interaction can result in forming public opinion about the Company and its Associated Persons and services.
* Participants will have received the necessary training on these social media procedures; and
* A copy of any material is reviewed and approved and maintained for Company books and records.

Company Associated Persons certify annually their non use of outside electronic communications. First time violations will result in a warning. Any violations subsequent to a Company warning may be grounds for a fine or immediate termination.

### 10.6.3 Website

It is the responsibility of Morris Monroe or Laura Hendricks to supervise the content of the Company’s website and to ensure any advertisements on the website comply with the rules and regulations of the regulatory authorities. Records of website material and evidence of review and approval shall be kept with the Company’s records for a period of three years (with 2 years readily acceptable). Any Associated Person intending to utilize a website other than the Company website must submit the website material for review and approval to Morris Monroe or Laura Hendricks prior to going live to the public. Additionally, an annual review will be conducted during the Internal Exam or Review to detect any new additions and ensure proper disclosures.

### 10.6.4 Bulletin Boards

With respect to communications posted by Associated Persons of the Company on electronic bulletin boards and/or message boards, such materials shall be considered advertisements because such material can be viewed by anyone with access to these services. Accordingly, Morris Monroe or Compliance shall review and approve all advertisements before use and a copy of such materials shall be retained in Company’s books and records in accordance with SEC Rule 17a-3 and 17a-4.

### 10.6.5 Facsimiles

Any document that is to be sent via facsimile that qualifies as sales literature or correspondence dealing with investment or securities business should be presented in hard copy form to designated personnel for record retention and subsequent review and approval by a Supervisor or Compliance. This copy will then be retained in the correspondence file with evidence of the review and approval. The approved correspondence/fax will be retained for five (5) years, two (2) in an easily accessible location.

## **10.7 Disclosure of Material Adverse Facts and Interests to Customers**

This obligation includes disclosing any conflicts of interest that could influence a recommendation to a customer or the customer’s decision to purchase or sell a security. If applicable, particular care should be taken with respect to the accuracy and completeness of information concerning securities that have been promoted through any means including electronic media.

## **10.8 Letterhead and Business Cards**

Compliance shall review and approve all letterhead and business cards for Associated Persons of the Company. The approved “copy” shall be retained in the Company’s Advertising/Sales Literature files. Where Associated Persons are registered with both Company and Woodlands Securities Corporation, business cards shall disclose the FINRA member and the address and telephone number of the registered location that supervises the representative’s securities activities.

## **10.9 “Internal Use Only” Material**

Materials which have been marked as for “Internal Use Only” shall not be distributed to any individual outside of the Company without the express written authorization of Morris Monroe or Laura Hendricks. Violators will be initially warned and if repeated, fined and/or terminated.

## **10.10 Sales Seminars & Related Advertising Literature**

All sales seminars, applicable advertising and literature to be presented must be pre-approved by Morris Monroe or Compliance PRIOR to the event. Accordingly, the Company shall be responsible for maintaining a record of all advertising and literature utilized by the Company together with a copy of such written approval as evidence of compliance with applicable laws, regulations and rules for a period of three years.

## **10.11 Incoming/Outgoing Correspondence**

Any investment advisory incoming or outgoing correspondence, both written and electronic, shall be preserved for a period of five years with the most two recent years readily accessible. Currently, a notebook with written correspondence is maintained, for incoming and outgoing, in a central location and initialed evidencing approval by either Morris Monroe or Laura Hendricks. Annual offers of Form ADV, and Company Code of Ethics are kept in a separate file in a central location. Related emails will be archived and stored offsite and retrievable via the internet and reviewed at least once/week. Generally, emails are permitted to be sent without prior approval.

## **10.12 Form Letters**

From time to time, the Company may send form letters, newsletter, informative notices, etc, to its customers. A copy of the aforementioned will be maintained in a Form Letter notebook for record retention and evidence of approval by Morris Monroe, designated Supervisor, or Compliance.

### 10.12.1 Consolidated Reports

Company may, as a courtesy to its customers, provide documents that consolidate information regarding a customer’s various financial holdings (and may include assets held away from the Company). These communications may supplement, but do not replace, the customer account statement and may not be represented as a substitute for, and must be distinguished from, account statements.

Reports must be clear, accurate and not misleading. For assets held away, this includes, among other things, taking reasonable steps to accurately reproduce information obtained regarding outside accounts and not to include information that is false or misleading.

**Guidelines**

The following guidelines will be followed when providing consolidated reports to customers:

* **Format**: The report may only be in the format approved by the Company. Lufkin utilizes a preapproved form (since 12/2011) utilizing Excel. Home office uses the format of Mind Manager Maps.
* **Account Values**: When compiling reports with account values, figures may be taken as current values as of a certain date and/or month/quarter-end values per customer statements, if applicable (Company maintains account statements separately from reports). Statements may be included with the report provided to the customer but are not required since customer receives those independently from their respective custodians.
* **Affiliated Company Holdings**: Reports must include a delineation for affiliated company, WSC, holdings as the FINRA member firm, with either Woodlands Securities Corporation or WSC to delineate which holdings are part of the FINRA member firm versus other assets.
* **Disclosures**: Reports should include the language to the following effect:
  + Securities offered through Woodlands Securities Corporation (WSC), member FINRA and SIPC;
  + The (or this) report includes assets that the FINRA member firm, WSC does not include as part of its books and records and any assets held away from WSC may not be covered my SIPC;
  + The information contained in this report is provided as a courtesy only and may be an approximate value provided as of a certain date. It is not for IRS purposes and it is not an Account Statement.
* **Books and Records**: Company will maintain copies (may be electronically) of any reports generated for a period of three years.

**Review**

A random review of consolidated reports will be conducted as part of Company’s annual interval review and testing. A review of these procedures will be reviewed at least on an annual basis.

## **10.13 Customer Complaints**

Any written customer complaint, by regular or electronic format, related to Company’s advisory business, will be forwarded to Morris Monroe or Laura Hendricks for handling. A Customer Complaint Form will be completed outlining the nature of the complaint and any action(s) taken. All such records relating to such complaints will be maintained in Company records.

## **10.14 Regulatory Communications**

All regulatory inquiries whether written or oral are to be directed to the attention of Morris Monroe, or Laura Hendricks for response. Further, all responses and other correspondence will be handled by Morris Monroe, or his designee, or legal counsel for the Company, and the representative will make no statements on behalf of the Company, to any person in a regulatory agency, unless specifically authorized to do so by the Company.

# 11. RECORDKEEPING & OPERATIONS

## **11.1 Introduction**

It is the Company's intent to conduct all recordkeeping in a highly sophisticated and ethical manner. The Company designates Morris Monroe responsible for its Financial Operations and for all books and records under SEC rules. Rule 204-2 under the Investment Advisers Act of 1940 requires investment advisers to make and keep true, accurate and current records that reflect the advisers' business. Company has adopted these procedures to ensure it has in place a record management system that addresses: (1) the types and form of records to retain, (2) retention periods, and (3) records destruction.

Company has adopted these procedures to ensure the proper handling of back office duties including new account handling procedures, order entry procedures, trade tickets/blotters, confirmations, and correspondence, and to protect customer information in the process.

## **11.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Morris Monroe, Compliance |
| **Statutes/Rules** | * Rules 17a-3 and 17a-4 * Rule 204-2 under the Investment Advisers Act of 1940 * State law corporate governance recordkeeping provisions |
| **Frequency** | * Daily operations * On a given business day, Company may generate a number of business records that must be maintained * Recordkeeping procedures should be periodically tested |
| **Records** | * All records and documents demonstrating compliance with backoffice procedures |

## **11.3 Back Office Procedures**

The following back office procedures shall be adhered to by all Associated Persons under the direct supervision of Morris Monroe or the designated supervisor:

A. New Account Procedures:

1. Make sure supervisor has signed new account form, together with and after execution by responsible agent and all other account documentation in order.

2. Review new account information for completeness.

3. Input information to appropriate custodian.

4. Send one copy to custodian firm in regular mail unless electronic submission is permitted, forward copy to customer file.

1. Before filing in new customer file, check screen next day to make sure account is set

up properly.

1. Enter and scan documents into WinOps.
2. Send SEC 17a-3 letter within 30 days of account opening.

B. Order Procedures:

1. Either completes written ticket or input same information into back office system at Schwab.

1. Review ticket for completeness (including but not limited to type of transactions, time and date stamps where applicable if not input directly into Schwab, marked for discretionary).
2. All orders input into Schwab or CSS system unless have to be called in.
3. Orders entered by authorized traders. Operations reviews and counter checks orders with confirmations daily as evidenced by initials on log report.

C. Receiving Order Reports;

1. Order reports are received from Schwab.

1. Next day compare each trade with confirmation report from Schwab daily download and reconciliation for execution information (any discrepancy must be worked out with the custodian).

D. Commission/Ticket Blotter:

1. Retail trades are maintained at Schwab and can be retrieved. These are reviewed daily to compare with confirm reports as evidenced by initials of BackOffice personnel on log report.

2. Blotter reports may be maintained electronically as long as readily accessible for review.

3. In addition, an excel spreadsheet of transactions is maintained.

E. Customer Funds: Company does not accept cash. In all instances checks received by an Associated Person must be delivered same business day, but no longer than 24 hours to the back office for proper and timely forwarding to the custodian. All customer checks will be forwarded by Company to the appropriate recipient no later than noon of the business day following receipt by Company, or as otherwise allowed by law. All checks received and forwarded will be maintained in the WinOps Send/Receive Log. Check copies will be maintained in a central location (although any additional copies may be maintained in the client file). Any checks made payable to Company instead of the intended recipient will be returned promptly to the customer with instructions to re-issue the check to the proper recipient. However, if any check is received payable to the Company and processed, a review of the deposit will be conducted to ensure the funds were properly deposited into customer’s account and not deposited into Company’s account. A copy of such review will be evidenced in WinOps Notes or the Cashiering file.

F. Customer Complaints:

Make additional copies of customer complaint and distribute and or file as follows:

1 - Copy to agent, if not already received first by him/her;

1 - Copy to Morris Monroe and Compliance, to be filed in customer complaint file together with any written reply from Agent, if applicable;

1 - Copy to be filed in customer's account file together with copy of written reply from Agent and or Company.

Complaints need to be addressed immediately and any reply should be attached to file copies.

G. Confirmations:

1. Compare to appropriate daily blotter and/or Schwab daily download and reconciliation.

2. Evidence of review maintained on Daily Log Sheet.

H. Research materials/news releases:

1. Maintain in research files/notebook if warranted or applicable.

2. Copy to agent if applicable.

I. W-9/W-8 Received:

1. Verify customer account numbers and name.

2. Make copy for customer file and main office if applicable.

3. Send original to custodian.

1. Check account in two (2) days to make sure TEFRA code reflects receipt of paperwork.

J. ACATS Received:

1. Make sure proper forms are received for IRA's and regular accounts.

2. Check forms for account numbers, client name for client's signature.

3. Fill in and check for receiving account number.

4. Make sure statement is attached from incoming account and check number.

5. Double check account number, name and social security number.

6. Check DTC number (use NSCC directory).

7. Make sure account is set up with the Company.

8. Check carrying firm account number and if in correct space provided.

9. Make copy of transfer form and statement and scan into WinOps.

10. Staple original form and statement together.

11. Send original to custodian firm or electronically if permitted.

K. All Other Legal Papers:

1. Make copies of LOA's, IRA documents, and all other documents.

2. Scan into WinOps, and file copies in client account file and send originals to custodian firm or electronically if permitted.

L. Advertising:

All advertising must be reviewed and approved by Morris Monroe or Compliance. File copies in advertising file for easy reference of approved and printed advertisements.

1. Further Risk Management/Internal Controls:

* 1. Each account has a clearly defined investment goal.
  2. All trades are done by designated personnel with cross checks by back office personnel.
  3. Downloads are performed daily (trades, pricing, etc.)
  4. Reconciliation is reviewed and posted daily (detects any errors).
  5. Cash balances are reviewed monthly to determine if cash exceeds the target, if any changes need to be made or left unchanged.
  6. Random accounts chosen quarterly to review for proper fees charged, portfolio in balance to model and matched to customer objectives, performed by Compliance or backoffice.
  7. Send 17a-3 letter within 30 days of account opening and every 3 years.
  8. Trades and quarterly reports are reviewed by at least three personnel.
  9. Personal trading is reviewed at least quarterly or before.
  10. Only authorized personnel have access to customer information, file cabinets are locked.
  11. Financials are reviewed monthly.
  12. There are two signatories on the checking account (Morris Monroe and Connie Smith).
  13. Annual Regulatory checklist reviewed for outside business activities. Agents sign off on every new version of the WSP. In addition, they acknowledge and agree to abide by our Code of Ethics and Inside Information policies.
  14. Annual internal review or audit is conducted of Company records and compliance procedures.
  15. Risk assessment conducted and added to when issues arise.

N. Mail Guidelines

Incoming Mail:

1. Open all mail related to securities and investment information, stamp with date received for correspondence and if applicable, distribute to back office for handling including faxes. Correspondence to be maintained in a central location and reviewed by Morris or Compliance (may scan into pdf Correspondence folder for backup copy and approval). If customer related, may add scanned copy into customer record in WinOps. Emails are archived via USA.net/Seccas.

2. Check for customer complaints (make copy for Morris L. Monroe and Laura Hendricks, the registered agent, and customer complaint files and in customer's account file).

1. Customer checks to be forwarded for deposit same day, (if before 3:00 pm) or next day if after 3:00 pm.

4. Correspondence from a regulatory agency is to be copied and directed immediately to Morris Monroe or Laura Hendricks.

1. The Company, upon a customer’s written instructions, may hold mail for a customer who will not be at his or her usual address for no longer than two months if the customer is on vacation or traveling, or three months if the customer is going abroad. Any written instructions will be maintained in the customer file or WinOps and also recorded in Gorilla with a follow up action for two months in the future (or three months if applicable) to contact the customer and terminate the holding period. Morris Monroe or his designee will ensure that once the time period has expired, all mail is again properly forwarded to the customer. A notification will be forwarded to Schwab or appropriate custodian to resume delivery to the customer and maintain a copy of the notice in the customer file.
2. LOA’s to transfer funds or securities will be processed by the trading department and any instructions maintained in a central location.

Outgoing Mail

1. Any securities or investment related correspondence must be reviewed and maintained.

2. Must be received by 4:30 PM CST in back office.

3. Make sure date is correct on postage machine. Weigh all letters and put correct postage on mail or Stamp with postage machine. Drop in mailbox by 4:45PM CST (may vary depending on mail pickup time).

1. May scan as a pdf into Correspondence folder for backup copy and for review purposes. If customer related, scan a copy into WinOps. Emails are archived via USA.net/Seccas.

O. General Rules:

* 1. Customer requests: Any change to a customer account must be in writing from the client or verbal if from authorized person and verified as to identity. Address changes are documented and with the date of change. Check requests must be processed the same day if before cutoff time. Check the account to make sure there is not withholding. Notify Associated Person if there is paper work needed. No check can be disbursed until the paperwork is in order, if applicable.
  2. Problems: Do not procrastinate over problems or mistakes, take care of them ASAP. Repeat problems, questionable excuses, etc. may be referred to a Supervisor or Compliance.
  3. Supplies: make sure the office has an adequate supply of all necessary items required for daily activities (i.e. envelopes, forms, copy paper, etc.). Monitor supplies weekly, keep the storage room neat.
  4. Postage: Typically, when the postage meter drops below $25.00, there will be an alert to update electronically. Subsequently an invoice is sent for payment.
  5. Business cards: Are usually ordered by front or back office (and approved by Compliance). Any titles on card must be approved by Compliance. File a copy of the business card in the advertising file.
  6. Letterhead: Is for business use only!
  7. Incoming ACATS: Verify all applicable positions have been received.
  8. Speaking directly to clients - Only licensed back office personnel or Associated Persons can process an order from a client.
  9. All file cabinets and file room locked before leaving for the day – Christina or other related backoffice personnel to ensure compliance.
  10. All computers locked when leaving desk area.
  11. Any documents with customer personal information must be discarded by secured shredding.
  12. Only backoffice or staff personnel allowed in trading area or customer file area (unless accompanied by a staff member for maintenance or repairs).
  13. Common Sense: Use it always! If something doesn't make sense or seems suspicious discuss with Morris Monroe or Compliance; don't guess.

## **11.4 Registration & Filings**

It is Company’s policy to ensure that its registrations and its investment adviser representatives' registration s are accurate, current and truthful, and to make timely filings of amendments to those documents and other regulatory documents.

### 11.4.1 SEC vs. State Registration

Company will register, and maintain its registration, with the proper regulatory authority based upon client assets it has under management. In addition, the Investment Advisers Act, not state law, controls when an employee of an investment adviser must be licensed by a state through the definition of “investment adviser representative” contained in the Act.

### 11.4.2 Legal or Regulatory Proceedings

Any Adviser Representative shall immediately notify the Chief Compliance Officer if he or she becomes the subject of an investment advisory-related action involving:

* an investigation or governmental proceeding;
* any refusal of registration or injunction, censure, fine or other disciplinary action imposed by a regulatory body;
* any litigation or arbitration;
* any bankruptcy proceedings;
* any civil litigation; or
* any arrest, summons, subpoena, indictment or conviction for a criminal offense; or
* any other event that might require disclosure to clients or disclosure on Form ADV.

When giving notice of a legal or regulatory proceeding, the Adviser Representative shall provide, at a minimum, the following information:

* Parties involved;
* Court or arbitration forum; and
* Nature of the proceeding.

CCO shall then ensure determination what regulatory filings (i.e. Form U-4, Form ADV) may need to be submitted and maintain documentation of such filings and information reported by applicable Advisor Representatives.

### 11.4.3 IARD Registration and Administration

The CCO or Compliance department will designate and maintain a qualified employee or to be the Super Account Administrator or “SAA” (currently Laura Hendricks) who will be responsible for:

* The web/electronic filing and updates to Company’s Form ADV through the IARD;
* The payment of initial and annual IARD filing fees;
* Controlling who within the Company and persons employed by any service providers who will have the ability to access the Company’s Form ADV housed on the IARD system and all functions related to CRD/IARD entitlement.

The Company will make all necessary filings and any other actions required to affect the designation of the SAA. The SAA will have the ability to create, modify and delete other account administrators for the Company, as well as control their access to various parts of the Form ADV and functions available on the IARD system that relate to the Form ADV.

|  |  |
| --- | --- |
| IARD Website Address: | https://firms.finra.org/ |
| IARD Announcements | <http://www.sec.gov/divisions/investment/iard.shtml> |
| Tech Support Number: | 1-240-386-4848 or 301-869-6699 |
| Mailing Address: | FINRA  9509 Key West Avenue  Rockville, MD 20850 |

The SAA will take all steps to ensure that Company's registration is current. When necessary, the SAA shall refer to the following, which are available on the IARD web site:

* IARD Renewal Program Checklist
* IARD Renewal Program Calendar

Annually, the SAA will make all necessary filings to renew Company and Agent registrations. The SAA will have to make an annual certification if Company has more than one user.

### 11.4.4 Other Regulatory Filings

In addition to filings related to Form ADV, an investment adviser may have to make a number of additional filings under the securities laws. Compliance will be responsible for ensuring any applicable filings are completed (some examples are Schedule 13D, 13G, etc. that are filed with the SEC but are not related to Company).

## **11.5 Routine Data Backup**

These procedures have been developed to ensure the routine protection of data. Morris Monroe and Compliance will have responsibility for ensuring these procedures are followed and for the routine testing for effectiveness of the procedures. Dennis McCullough, IT Manager, ensures the maintenance of and storing to our back-up site.

### 11.5.1 Onsite - Backup

On a daily basis, Company has a local Sonic Wall device that conducts onsite backup in real time through an agent tool installed on each server for critical data files and maintains all revisions based on storage space. This device represents the first line of defense for disaster recovery in the event a backup of data would need to be retrieved. In the event the device is not accessible due to an office disruption, the offsite data backup would be the second line of defense.

### 11.5.2 Offsite Data Backup

Company has the following offsite backup of data:

1 WinOps: Data is housed on an outside server located in Colorado via Techmate, Inc. Techmate conducts daily internal backup of data in-house as well as with Symantec Backup Exec to another offsite location.

2. Company utilizes Iron Mountain and their program called LiveVault for offsite backup of crucial files for each server. Backup is automatically processed every fifteen minutes with a 30-day retention policy. LiveVault has facilities on both coasts. Company’s data is directed to one site with alternate duplication to the other site. Company has access to portal as well to verify said backups and conducts a review each month at a minimum.

## **11.6 Books and Records**

Each chapter in the WSP lists records that should be maintained by Company to comply with SEC rules or as a best practice. Other books and records are also listed below. The Chief Compliance Officer shall take steps to cause such records to be created and maintained.

### 11.6.1 Accounting Records

On a monthly basis (or more frequently if necessary), Morris Monroe, or his designee shall review and/or prepare a Trial Balance and maintain general journals and financial statements which shall be made a part of the Company's permanent files. If Company requires clients to prepay its advisory fee six months or more in advance and the fee exceeds $500, Company will arrange for the preparation of an audited balance sheet and provide same to clients.

#### 12.6.1.1 Expense Sharing Arrangement

Company maintains an expense sharing agreement with WSC which includes the SEC requisites for incorporating an expense-sharing agreement into a broker-dealer's operations. Company will maintain as part of its books and records a copy of any such agreement and any supporting documents.

### 11.6.2 Preparation of Corporate Records

The Company shall make and keep current the following books and records relating to the Company's business:

1. Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers) if any, all receipts and disbursements of cash and all other debits and credits. Such records shall show the account for which each such transaction has been affected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date and the name or other designation of the person from whom purchased or received or to whom sold or delivered. These records must be maintained for three years and may be maintained electronically as long as such information is easily accessible for review;

2. Ledgers (or other records) of Company reflecting all assets and liabilities, income and expense and capital accounts (may be maintained electronically);

3. Ledger accounts, by custodians (or other records maintained electronically), itemizing separately as to each account of every customer and of the Company, all purchases, sales receipts and deliveries of securities for such accounts and all other debits and credits to such accounts;

4. Ledger, by custodians, (or other records maintained electronically) reflecting the following as applicable:

a. Securities in transfer;

b. Dividends and interest received;

c. Securities failed to receive and failed to deliver;

5. A memorandum of each brokerage order, and any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. Such memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation, the account for which it was entered, the time of entry, the price at which executed and, to the extent feasible or required, the time of execution or cancellation. All orders are considered discretionary as entered pursuant to the exercise of discretionary power by the Company (unless otherwise indicated). The ticket reports will be utilized for this recordkeeping requirement;

6. If applicable, a memorandum of each purchase and sale for the account of the Company, showing the price, and to the extent feasible, the time of execution, and where such a purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt, the terms and conditions of the order and the account in which it was entered if ever applicable;

7. Copies of confirmations of all purchases and sales of securities, including copies of all repurchase and reverse repurchase agreements, and copies of notices of all other debits and credits for securities, cash and other items for the account of customers and partners of the Company. Copies of confirmations will be maintained electronically via the custodian’s system for each customer’s account;

8. A record of each account with the Company, through its custodians indicating:

a. The name and address of the beneficial owner of the account;

b. Except with respect to exempt employee benefit plan securities (but only to the extent such securities are held by employee benefit plans established by the issuer of the securities), whether a beneficial owner of securities registered in a name other than that of such beneficial owner objects to disclosure to issuers of his or her identity, address and securities positions; and

c. A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and the trial balance date, pursuant to 1934 Act Rule 15c3-1;

9. Correspondence and Advertising: Incoming and outgoing correspondence, form letters, etc., and records of Company advertising;

10. A questionnaire or application (a Form U-4 may be used) for employment executed by each "associated person" of the Company, which shall be approved in writing or electronically by an authorized representative of the Company and shall contain, at a minimum, the following:

a. His or her name, address, social security number and the starting date of his or her employment or other association with the Company;

b. His or her date of birth;

c. A complete statement of his or her business connections for at least the preceding ten years, including whether such employment was part-time or full-time;

d. A record of any denial of membership or registration, and of any disciplinary action taken, or sanction(s) imposed, upon him or her by any federal or state agency, or by any national securities exchange or national securities association, including any finding that he or she was a cause of any disciplinary action or had violated any law;

e. A record of any denial, suspension, expulsion or revocation of membership or registration of any broker-dealer with which he or she was associated in any capacity when such action was taken;

f. A record of any permanent or temporary injunction entered against him or her or any broker-dealer with which he or she was associated in any capacity at the time such injunction was entered;

g. A record of any arrest or indictment for any felony, or any misdemeanor pertaining to securities, commodities, banking, insurance or real estate, fraud, false statements or omissions, wrongful taking of property or bribery, forgery or counterfeiting or extortion, and the disposition of the foregoing; and

h. A record of any other name by which he or she has been known or which he or she has used.

If such Associated Person was or is a registered agent of the Company, or his or her employment had been approved by FINRA or any stock exchange, then retention of a full, correct and complete copy of any and all applications for such registration or approval shall satisfy these requirements.

### 11.6.3 Imaging

The Company may have the capability to image certain records (i.e. new account information forms, applications, correspondence, etc.) in which these electronic files will be maintained as part of the Company’s record in addition to paper files. Such records will also be backed up along with the other routine protection of data to preserve the information and integrity of the required records. This Company will still maintain paper files as part of its customer records.

### 11.6.4 Outsourcing

Some services may be outsourced to third parties (vendors). While third parties are responsible for providing agreed-upon services in an accurate manner, regulators have stated that firms remain responsible for ultimate compliance with rules governing the outsourced activity.

When choosing an outside vendor, a number of factors will be considered depending on the type of service provided. Factors that may be considered when engaging a third party include:

* Length of time in business
* Financial stability
* Prior knowledge of the vendor
* Other users of the vendor's services
* Technology and ability to deliver services
* Security of customer or other financial information, if applicable
* Company management and Compliance is responsible for monitoring the vendor's services

Company management and/or Compliance shall review Outsourcing contracts and completed contracts will be maintained as part of Company’s records and for three years after their termination.

### 11.6.5 Insurance

Company will consider obtaining any appropriate type and level of business insurance, including errors and omissions insurance, if such insurance can be underwritten at reasonable rates. At least annually, Company shall consider whether it should obtain Errors & Omission insurance or other insurance, or if it has such insurance, whether it should modify its current insurance.

### 11.6.6 Preservation of Records

The Company, or through its custodians, as applicable shall preserve for a period of not less than six (6) years, the first two (2) years in an easily accessible place, the following records:

1. Blotters (or other records of original entry);

2. Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts; and

1. Ledger accounts (or other records) itemizing separately as to each account of every customer of the Company, all purchases, sales receipts and deliveries of securities for such accounts and all other debits and credits to such.
2. Any account records after the closing of any customer's account which relate to the terms and conditions with respect to the opening and maintenance of such account.

The Company or its custodian, as applicable, shall preserve for a period of not less than three (3) years, the first two (2) years in an accessible place, the following records:

1. Ledgers (or other records) required to be made pursuant to 1934 Act Rule 240.17a-3(a)(4);

2. Memoranda of brokerage orders required to be made pursuant to 1934 Act Rule 240.17a-3(a)(6) through the CSS system or Schwab system;

3. Memoranda of purchases and sales required to be made pursuant to 1934 Act Rule 240.17a-3(a)(7);

4. Copies of confirmations of all purchases and sales of securities required to be made pursuant to 1934 Act Rule 240.17a-3(a)(8) through the custodian’s system;

5. Records of each account with the Company required to be made pursuant to 1934 Act Rule 17a-3(a)(9) and maintained for 6 years after closing;

6. All checkbooks, bank statements, canceled checks and cash reconciliations;

1. All bills receivable or payable (or copies thereof), paid or unpaid, relating to the business of the Company;

8. Personal securities transactions of associated persons.

9. All trial balances, financial statements, and internal audit working papers relating to its business;

1. All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a corporation; and
2. All written agreements (or copies thereof) entered into by the Company relating to its business, including agreements with respect to any account.
3. A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that Company circulates or distributes, directly or indirectly, to 10 or more persons (other than persons connected with Company), and if such notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication contains performance information, retain such communication irrespective to how many persons received it (Rule 204-2(a)(11)).
4. A copy of Company's policies and procedures formulated pursuant to Rule 206(4)-7(a) under the Investment Advisers Act of 1940 that are in effect, or at any time within the past five years were in effect.

The Company shall preserve, during its existence and that of any successor enterprise, all articles of incorporation or charter documents, minute books and stock certificate books.

The Company shall also maintain and preserve in an easily accessible place:

1. Questionnaires or applications for employment executed by each "Associated Person" of the Company, which questionnaires or applications shall be approved in writing by an authorized representative of the Company and contain at least the information required by 1934 Act Rule 17a-3(a)(12), until at least three (3) years after the Associated Person has terminated his or her employment and any other connection with the Company;

2. All records required pursuant to 1934 Act Rule 17f-2(d) until at least three (3) years after the termination of employment or association of all persons required to be fingerprinted there under; and

3. All records required pursuant to 1934 Act Rule 17f-2(e) for the life of the Company.

It shall be the responsibility of Morris Monroe to maintain the appropriate books and records as set forth herein and to retain said records in accordance with the provisions of SEC Rules 17a-3 and 17a-4.

### 11.6.7 Destruction of Records

Company recognizes that all records have a limited useful life and that law and rules require certain records to be maintained only for a specified number of years. Periodically, the Chief Compliance Officer shall cause Company to destroy all records not required to be retained by the procedures in this chapter. Neither Company nor any of its directors, officers or employees shall destroy any documents if there is a pending or imminent audit, governmental investigation or litigation unless:

* Such document is unrelated to such action; and
* An officer or other relevant employee with knowledge of such action determines that it is legal and appropriate to destroy the document.

Documents will be shredded with a cross shredder or if in bulk with the use of a shredding company who certifies that documents have been destroyed properly on Company’s or branch’s premises.

### 11.6.8 Record Retention Chart

It shall be the Company’s policy to follow the record retention requirements outlined below. All such records can then be destroyed upon expiration of such holding periods.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **IRS**  **# Yrs** | **SEC**  **# Yrs** | **Ready**  **Access** |
| **Accounting Records** | | | |
| Bank Statements, deposit slips | 4 | 5 | 2 |
| Commission Records and 1099s | 4 | 5 | 2 |
| Trial Balances | 3 | 5 | 2 |
| Checks and reconciliations | 8 | 5 | 2 |
| Payroll Reports (individual reports and earnings records) | 8 | 5 | 2 |
| Payroll Records (1099s, W-4s, W-2s) | 4 | 5 | 2 |
| Vouchers (for payment to vendors, employees, bills recd & pd) | 8 | 5 | 2 |
| Financial Statements | P | 5 | 2 |
| General Ledgers and Journals | P | 6 | 2 |
| Internal Audit working papers |  | 5 | 2 |
| Monies borrowed, and monies loaned | 6 | 5 | 2 |
| **Corporate Records** | | | |
| Bylaws, charters and minute books | P | P | P |
| Capital Stock and Bond records | P | P | P |
| Expired mortgages, notes, and leases | 8 | 5 | 2 |
| Checks (taxes, property and fulfillment of important contracts) | P | 5 | 2 |
| Contracts and Agreements | P | 5 | 2 |
| Retirement and Pension records | P | 5 | 2 |
| Tax returns and supporting documents | P | 5 | 2 |
| **Compliance Records** |  |  |  |
| New Account Forms  (must be kept 6 years after closing date) |  | 6 | 6 |
| Customer Complaint File |  | 5 | 2 |
| General Correspondence |  | 5 | 2 |
| Legal and Tax | P | P | 2 |
| Order Tickets |  | 5 | 2 |
| Blotters |  | 5 | 2 |
| Extensions and Requests |  | 5 | 2 |
| Advertising |  | 3 | 2 |
| Employee Trading |  | 3 | 2 |
| **Personnel Records** |  |  |  |
| U-4, U-5, Employee and Agreements |  | 3 yrs after termination | Access now |
| Fingerprints/ IARD notices |  | 3 yrs after termination | Access now |
| All claimed fingerprint exemptions |  | 3 yrs after termination | Access now |
| U-5 Status Report |  | 3 yrs after termination | Access now |
| Employment Applications if applicable |  | 3 yrs after termination | Access now |
|  |  |  |  |
| **SEC:** |  |  |  |
| Order granting registrations |  | P | P |
| Original Application |  | P | 2 |
| SEC Form ADV, Part 2 and Amendments |  | P | 2 |
| Correspondence |  | P | 2 |
| **State(s):** |  |  |  |
| Original Paperwork |  | P | P |
| Correspondence with States |  | P | 2 |
| State License or CRD Notice granting registration |  | P | P |
| Disciplinary Actions |  | P | P |
|  |  |  |  |
|  |  |  |  |

## **12.7 Regulatory Inspections**

When the SEC, state securities commission or other regulatory agency contacts or meets an employee of the Company, the following procedures will be followed:

1. The employee who is the recipient of such contact must, as soon as possible, inform the Chief Compliance Officer about the matter;
2. The Chief Compliance Officer shall arrange for the Company to make available all documents requested by the examiner, provided such examiner has the legal right to examine such documents;
3. The Chief Compliance Officer shall review prior to the arrival of the inspection staff:

* Overview of Examinations by the Securities and Exchange Commission's Office of Compliance Inspections and Examinations (February 2012) - <http://www.sec.gov/about/offices/ocie/ocieoverview.pdf>;
* Examination Brochure - <http://www.sec.gov/divisions/enforce/enforcementmanual.pdf>;
* SEC's National Examination Program's website - <http://www.sec.gov/about/offices/ocie.shtml>; and
* Listing of local SEC offices (contact information for regional offices and senior examination staff) - <https://www.sec.gov/page/sec-regional-offices>.

1. Upon the examiner's arrival, the Chief Compliance Officer should ask the official for: (i) proper identification, (ii) his or her authority to conduct the examination, and (iii) the purpose of the visit;
2. The Chief Compliance Officer and any other the Company personnel chosen to assist the regulatory inspection team should be pleasant and cooperative;
3. Information or copies of documents should be provided to the official only if the release of such information or documents has been cleared by the Chief Compliance Officer;
4. The Chief Compliance Officer will ensure that only those documents specifically requested by the regulatory inspection team are released to the regulatory inspection team;
5. A representative of the Company should accompany the regulatory inspection team at all times when the team is in the Company's office(s), except in a room or rooms designated by the Chief Compliance Officer as places where the team can perform their inspection;
6. Without prior clearance from the Chief Compliance Officer, no Company employee may have substantive conversations with any member of the regulatory inspection team;
7. Upon completion of the examination, the Chief Compliance Officer will ask a member of the SEC's inspection team the date when the examination will be completed. (Under the Dodd-Frank Act, the SEC has 180 days from the date of its document request to complete its examination of a registered investment adviser);
8. The recipient of any letter or other correspondence from the inspecting regulatory authority must promptly forward such correspondence to the Chief Compliance Officer;
9. The Chief Compliance Officer in coordination with the inside or outside legal counsel of the Company will review the correspondence from the inspecting regulatory authority and respond, if so required, in the appropriate manner prior to any deadline imposed by the inspecting authority; and
10. If OCIE identifies deficiencies or weaknesses, the Company will take steps to address and eliminate such deficiencies and weaknesses and memorialize the actions taken in a memorandum. If serious deficiencies are found, OCIE may refer the problems to the SEC's Division of Enforcement, or to a self-regulatory organization, state regulatory agency, or other regulator for possible action.

# 12. BUSINESS CONTINUITY MANAGEMENT

## **12.1 Introduction**

Pursuant to an advisor’s fiduciary duty to its clients as well as expectations of its clients, the Company has developed the following business continuity plan to respond to emergencies, disasters, and contingencies. Morris Monroe and Laura Hendricks will be responsible for the development and implementation of these procedures designed to provide the strategic and operational framework to both review, and where appropriate, redesign the way the Company provides its products and services while increasing its resilience to disruption, interruption, or loss.

The purpose of these guidelines is not intended to be all inclusive, restrictive or overly detailed processes to cover every eventuality that may affect the Company. It is recognized that there may be other courses of action and guidelines may need to be modified or customized to meet specific needs.

## **12.2 Compliance Chart**

|  |  |
| --- | --- |
| **Responsibility** | * Chief Compliance Officer, Morris Monroe |
| **Statutes/Rules** | * SEC Rule 17a-3 and 17a-4 – books and records (34 Act Section 240) |
| **Frequency** | * Meet once a year to test alternate location and forward phones * Ongoing – other locations who can perform operations outside of home office |
| **Records** | * All records and documents demonstrating compliance with these recordkeeping procedures |

## **12.3 Company Assessment**

The Company, being in the financial services industry relies on many different factors to conduct its business. The following factors will be considered in any continuity plan:

* **Physical facilities**: located in a multi-tenant, 2-story leased office building in The Woodlands, Texas.
* Other Agents located at 1101 S. Chestnut in Lufkin TX (888) 835-3673, (936) 634-3378, FX (936) 639-4776) which can be reached by car, bus, or train. Orders could be accepted and entered at this location.

Alternate Facility – 1941 Sawdust Rd, The Woodlands TX 77380, (281) 364-1254

Additional Remote access from 9049 Willow Springs Dr, (936) 321-1287, 103 Gemstone, Horseshoe Bay, TX 78657.

* **Employees**: Currently have 16 Associated Persons including office staff and agents. Of those 16, 10 are in the main office or The Woodlands (with alternate locations located in The Woodlands, Houston, and Conroe). See contact list below for key team personnel. Other Agents in Lufkin, Texas (with 4 Agents).
* **Communications**: the use of data lines, internet, telephones, servers, email is all used as part of our daily communications.
* **Information Resources**: The following programs and sources are used for information purposes:

1. Portfolio Center: Networked software used for Schwab accounts for customer information, reporting, download from Schwab, rebalancing, etc. (800) 528-9595; 434 Fayetteville Street, 13th Floor, Raleigh NC 27601, [www.schwabpt.com](http://www.schwabpt.com). Maintenance ID# 525. Hosted site: <https://www.portfoliocenterhosted.com/>.
2. Gorilla Software: Customer database. Bill Good – [www.billgood.com](http://www.billgood.com); 800-678-1480.
3. WinOps Database: Customer database. Outsourced for data retention on outside server – Techmate Inc (C5 Solutions) 8960 W Hampden Ave., Lakewood, CO 80235, (800) 569-8335), (303) 985-9956, Rod Lueck Cell: (303) 356-5962, Email: [support@c5solutions.com](mailto:support@c5solutions.com), website: <http://www.opsplus.com>.

Remote Desktop Connection: ftp: 173.239.1114.36; Dashboard: <https://woodlands.repdashboard.com>.

1. Email Hosting, Retention, and Archiving: SilverSky (USA.net – Seccas):: <https://compliance.seccas.com/seccas/>, support- [www.support@seccas.com](http://www.support@seccas.com). 800-353-4322.

Vulnerability Scanning: <https://viewpoint.perimeterusa.com/vp/index.php>; support- [supportdb@perimeterusa.com](mailto:supportdb@perimeterusa.com) 800-234-2175.

Hosted Exchange: <https://provisor.postoffice.net>

Support- [supportdb@perimeterusa.com](mailto:supportdb@perimeterusa.com) 800-234-2175.

1. FMG Suite/ Smarsh (old AdvisorSquare): Website hosting. [www.smarsh.com](http://www.smarsh.com), for administration: <https://secure.fmgsuite.com/> (858) 251-2420 and 888-379-5724.
2. Schwab Institutional: internet based program for Schwab account downloads, mutual fund, trading, pricing, resource information, account information, etc. <http://www.schwabinstitutional.com>; (877) 738-6813–Texoma; Order Routing/Execution: <http://www.ibb.ubs.com/sec_reports/>. Master Account Number: 0800-2834.
3. Microsoft Office: used for file records, word processing, etc.
4. Esignal: internet-based market information, quotes, etc. 100 William Street, 17th Floor, New York, NY 10038, (866) 258-3831.
5. Quickbooks/Yardi: accounting and financial information software program.
6. Ullrich Cordray & Assoc. LLC: Payroll, corporate records, tax return, franchise tax report, etc. 1510 IH-45N, Conroe TX 77301, Ph-936-441-3655, Fax-936-756-8563, John Cordray, [johncordray@compuserve.com](mailto:johncordray@compuserve.com). Payroll can still be issued from home office if desired.
7. Dennis McCullough: IT Administrator - 203 Brooks, Lufkin TX 75904, cell (936) 414-1114. Backup IT will be Jeff Griggs, (936) 240-3093.
8. Amegy Bank: 10101 Grogans Mill Rd, The Woodlands TX 77380, Contact: Jill Vaughan, (281) 320-6909, Fax: (281) 320-6908 Email: [jill.vaughan@amegybank.com](mailto:jill.vaughan@amegybank.com).
9. Telephone System: Miraplex - service 281-404-2300 866-637-4235, email: [support@meriplex.com](mailto:support@meriplex.com) – for other information – see below. Forwarding calls must be done manually (see below).
10. LiveVault/ HP Autonomy: Data backup, 120 Turnpike Rd, Southborough MA 01772; (508) 808-7489, (800) 638-5518,(855) 288-6778, <https://livevaultservice.livevault.com/Account/Login>

*(Autonomy bought Iron Mountain Digital and HP bought Autonomy)*

[Nils.hansen@autonomy.com](mailto:Nils.hansen@autonomy.com) or [livevaultsupport@hp.com](mailto:livevaultsupport@hp.com).

1. eVestment (old PerTrac): performance data, models, market overviews. 100 Glenridge Point Parkway Suite 100, Atlanta GA 30342, 877-769-2388, [support@evestment.com](mailto:support@evestment.com).
2. Website: [www.woodlandsassetmgt.com](http://www.woodlandsassetmgt.com) or [www.woodlandssecurities.com](http://www.woodlandssecurities.com).
3. Bloomberg: quotation system - 731 Lexington Ave, New York, NY 10022; 212-318-2000, Fax: (917) 369-5540.
4. Black Diamond Reporting: Account reports and billing - 10151 Deerwood Park Boulevard, Building 400, Suite 300, Jacksonville, FL 32256, (904) 241-2444,

[www.bdreporting.com](http://www.bdreporting.com) and <https://bluesky.bdreporting.com/>.

1. RedBlack: Trading, Rebalancing - 2 Bedford Farms Drive, Suite 102, Bedford, NH 03110, (603) 232-9405 – Support, [www.redblacksoftware.com](http://www.redblacksoftware.com), Client Relationship Manager - [lisa.jacobs@redblacksoftware.com](mailto:lisa.jacobs@redblacksoftware.com), 603.232.9404 Ext. 1406.
2. Facebook: https://www.facebook.com/woodlandssecurities/.
   * **Clients**: Client accounts are under custody of either:
3. Schwab: 1958 Summit Park Pl #500, Orlando FL 32810-5931, ATTN: Texoma Team. (877) 738-6813, Fax: (407) 806-6780, or (877) 295-2765 (wires too) [www.schwabinstitutional.com](http://www.schwabinstitutional.com).
4. Jefferson National Life: for the Monument Advisor variable annuity; 10350 Ormsby Park Place, Louisville, KY 40223, (866) 667-0561, <https://partner.jeffnat.com//inforce/login.cfm>.

Custodians are responsible for daily account operations, confirmations, and statements.

* + **Regulatory Agencies**:

1. US Securities and Exchange Commission – File # 801-55551, 801 Cherry St #1900, Fort Worth, Texas, (817) 978-3821, Fax (817) 978-4944; 450 5th Street NW, Washington DC 20549, (202) 942-8088, [www.sec.gov](http://www.sec.gov).
2. Texas State Securities Board: File # 26417, 208 East 10th Street, 5th Floor,   
   Austin, Texas 78701, (512) 305-8300, Fax: (512) 305-8310, [www.ssb.state.tx.us](http://www.ssb.state.tx.us).

## **12.4 Continuity Team**

In the event of any need for continuity plan, the Company has established the following teams to implement certain processes:

* + Senior Management: Morris Monroe (MLM), Laura Hendricks (LMH),
  + Technology: Dennis McCullough (DM)
  + Compliance: Laura Hendricks
  + Operations: Mitchell Lyon (MGL), Ashlyn Reece (ANR), Melanie Null (MDN)
  + Accounting and Administration: Connie Smith (CS), Laura Hendricks, Christina Jenkins (CAJ)

All key team members will maintain a copy of these procedures offsite or at their residence. In addition, these procedures are posted on our secured access website. The team will confer at a minimum annually to establish clear business responsibility among the team and communication procedures during a continuity plan implementation.

## **12.5 Customers’ Access to Funds and Securities**

The Company does not maintain custody of customers’ funds or securities, which are maintained directly at custodian. In the event of an internal or external SBD, if telephone service is available, our representatives will continue to take market customer orders and contact applicable platform for processing. If internet is available, Company will post information on its website and Company Facebook page that customers may access their funds and securities by contacting applicable custodian(s) directly and list their contact information (and post any other pertinent information). If the SEC determines that Company is unable to meet its obligations to customers or are in violation of SEC rules, Company will assist the SEC by providing its books and records identifying customer accounts subject to regulation.

## **12.6 Data Back-Up and Recovery**

See Section 13.4 of the WSP. In the event of an internal or external SBD that causes the loss of our paper records, the Company will physically recover any records available in electronic format from LiveVault offsite backup. If the primary physical site is inoperable, operations will continue from the back-up physical site at 1941 Sawdust Rd, The Woodlands, Texas or an alternate location. In addition, there is offsite backup of WinOps customer data via Techmate since data is stored on their server. Techmate does daily backups of their servers. Other remote facilities in The Woodlands, Lufkin, and Conroe, and New Braunfels may also be used.

## **12.7 Mission Critical Systems**

Company’s “mission critical systems” are those that ensure prompt and accurate processing of securities transactions, including order taking, entry, execution, comparison, allocation, the maintenance of customer accounts, access to customer accounts through custodians, and assist in the delivery of funds and securities. More specifically, these systems include those listed above under Company Assessment.

The Company has the primary responsibility for establishing and maintaining business relationships with its customers and the sole responsibility for its mission critical functions of processing orders. Custodian firm (i.e. Schwab) provides that they will maintain a business continuity plan and the capacity to execute that plan. They represent that they will advise Company of any material changes to their plans that might affect Company’s ability to maintain its business (the summary of their plans are posted [www.schwabinstitutional.com](http://www.schwabinstitutional.com) – Resource Center/Quick Links on right) and at the public site, [www.schwab.com](http://www.schwab.com), at the bottom of the page and for Jefferson National, a notice is posted at <https://www.jeffnat.com/home/legal/index.cfm>.

In the event custodian executes its plan, it represents that it will notify Company of such execution and provide Company equal access to services as its other customers. If Company reasonably determines that either custodian has not or cannot put its plan in place quickly enough to meet Company needs or is otherwise unable to provide access to such services, custodians represent that they will assist Company in seeking services from an alternative source. Custodians represent that they back up records at a remote site. Custodians represent that they operate a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Custodians have also confirmed the effectiveness of their back-up arrangements to recover from a wide scale disruption by testing, and they have confirmed that they test their back-up arrangements. Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption.

**Order Entry** Currently, Company enters orders by recording them on paper or electronically and sending them to the custodian electronically or telephonically. In the event of an internal SBD, Company will enter and send records to custodian by the fastest alternative means available, which includes by telephone or entry from an alternate location. In the event of an external SBD, Company will maintain the order in electronic or paper format, and deliver the order to the custodian by the fastest means available when it resumes operations.

## **12.8 Procedure Grid**

The following procedures have been established in the event a continuity plan has to be implemented. They are numbered and described and will be assigned to various types of contingencies plans for implementation.

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Effected Area** | **Procedure** | **Person(s) Responsible** |
| **1** | Telephone System | Contact Meriplex (281) 404-2300 or (866) 637-4235 - report outage for repair to be setup. To forward lines, call (281) 404-2285 (pin# 2483\*) to forward to (281)-364-1254 or (713) 806-4076 or (402) 991-8928 if applicable. | MLM, LMH, CAJ, MGL, ANR, MDN |
| **2** | T-1 Data Line (Internet Connection) | Contact MCI (800) 900-0241. Report problem. If extended interruption, any offsite computer with internet connection may be used for internet services. | MLM, DM |
| **3** | Server/Computer Damage | Contact Dennis McCullough (936) 414-1114. Obtain backup tape or LiveVault to restore latest information on a given computer, if applicable, or back onto server. Implement offsite internet access to applicable programs or offsite employee loaded programs. | MLM, DM, LMH, |
| **4** | Information Resources | See resources from the above list for contact information. Report information problem. All internet-based programs can be accessed from any computer with internet access | All |
| **5** | Trading Interrupted | Anyone with access to internet can continue trading procedures through CSS and Schwab Institutional. In addition, orders can be called in to HTS (214)859-1800 or Schwab (877) 738-6813. Trading functions could be conducted from offsite personnel locations. | MGL, MDN, LMH, MLM |
| **6** | Customer Account Information | Contact Custodians HTS or Schwab (see information above under Resources). Most customer information can be accessed via internet connection. All confirms and statements provided by Custodians. | MLM, LMH, MGL, ANR, MDN |
| **7** | Employee Contact | See employee contact information below. In the event employees need to be contacted, all modes of communication will be attempted. In the event of a disaster, all employees available will be contacted and meet and MLM residence for further conference for implementation of planning and processes if necessary. | All |
| **8** | Email | In the event email is disrupted, use the internet at webmail.ihostexchange.net. Or if internet unavailable, the following alternate email addresses may be used:  Morris Monroe: [tesa@the4monroes.com](mailto:tesa@the4monroes.com)  Laura Hendricks: [5hendricks@cox.net](mailto:5hendricks@cox.net)  Gloria Sedita: [gsedita@yahoo.com](mailto:gsedita@yahoo.com)  Dennis McCullough: [dmccullough@pivtech.com](mailto:dmccullough@pivtech.com)  Connie Smith: [csmith4523@aol.com](mailto:csmith4523@aol.com)  Christina Jenkins: [christinajenkins2005@yahoo.com](mailto:christinajenkins2005@yahoo.com)  Mitchell Lyon [mitchell.lyon6@yahoo.com](mailto:mitchell.lyon6@yahoo.com%20)  Ashlyn Reece [reece\_ashlyn@yahoo.com](mailto:reece_ashlyn@yahoo.com%20)  Melanie Null [null.melanie@gmail.com](mailto:null.melanie@gmail.com) | All |
| **9** | Customer files | Company scans customer files into computer software programs as an alternate source. This info is also backed up daily on an outside server. | All |
| **10** | Employee Emergency, Disaster, Death of staff | Implement Employee Backup (See Contacts below). | All |
| **11** | Death of Morris Monroe | 1. Notify all staff and agents. 2. Continue daily operations as able and to assist customers with account requests if applicable. 3. Notify SEC/TX State Sec Board; process any registration issues if applicable. | All |

## **12.9 Types of Contingencies**

Although there may be many types of contingencies that could affect the business operations, the following have been determined to be the most critical or probable:

|  |  |
| --- | --- |
| **TYPE** | **PROCEDURES FROM GRID** |
| Hurricane | Could be all |
| Flooding | Could be all |
| Fire | All |
| Terrorist Act | All |
| Tornado | Could be all |
| Phone lines disrupted | 1, 6 |
| Computer System Failure | 2, 3, 6 |
| Extended Electrical Outage | All |
| Death of Morris Monroe | 4, 6, 7 |

## **12.10 TEAM CONTACT INFORMATION**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name** | **Address** | **Home Phone** | **Fax No.** | **Cell** | **Email** | **Backup Team Member** |
| Hendricks Laura | 9049 Willow Springs Ln, Conroe 77302 | (936) 321-1287 | same | (816) 805-7016 | [hendricks5@live.com](mailto:hendricks5@live.com) | C, MDN |
| McCullough,Dennis | 203 Brooks, Lufkin 75901 | (936) 699-3079 |  | (936) 414-1114 | [dmccullough@pivtech.com](mailto:dmccullough@pivtech.com) | Covenant |
| Monroe, Morris | 1941 Sawdust Rd, Spring | 281-367-1254 |  | 713-806-4076 | [tesa@the4monroes.com](mailto:tesa@the4monroes.com) | LMH, CSM |
| Sedita, Gloria | 5726 Spanish Oak Dr Houston 77066 | (281) 893-2795 | Same | (713) 443-5852 | [gsedita@yahoo.com](mailto:gsedita@yahoo.com) | MGL, ANR, MDN, LMH |
| Jenkins, Christina | 51 Joyce Rd Cleveland TX 77328 | (281) 669-6303 | same | (346) 816-8840 Roy | [Christinajenkins2005@yahoo.com](mailto:Christinajenkins2005@yahoo.com) | ANR, MGL, MDN, LMH |
| Smith, Connie | 713 Orleans Ct Conroe 77302 | (936) 273-2629 |  | (936) 524-0203 | [csmith4523@aol.com](mailto:csmith4523@aol.com) | LMH |
| Vaughan, David | 12575 Pearson Rd Montgomery TX 77356 | (936) 448-2017 |  | (713) 254-5454 | [Dvaughan@hotmail.com](mailto:Dvaughan@hotmail.com) | MLM |
| Lyon, Mitchell | 12261 Stuart Dr Montgomery 77356 | (281) 413-9711 |  | (281) 413-9711 | [mitchell.lyon6@yahoo.com](mailto:mitchell.lyon6@yahoo.com) | ANR, MDN |
| Reece, Ashlyn | 21801 Northcrest Dr Spring 77388 | 936-240-4553 |  | 936-240-4553 | [reece\_ashlyn@yahoo.com](mailto:reece_ashlyn@yahoo.com) | MGL, MDN |
| Null, Mellanie | 30326 Aztec Canyon Dr, Spring 77386 |  |  | (713) 817-8663 | [null.melanie@gmail.com](mailto:null.melanie@gmail.com) | MGL, ANR |
| Moss, Chris | 4929 FM 1475 1101 Chestnut, Lufkin 75901 | (936) 824-2399 | (936) 639-4776 | (936)676-7649 | [trmoss@consolidated.net](mailto:trmoss@consolidated.net) |  |

*\* Text messaging and/or Facebook may work more effectively for cell phone calls depending on disruption as well as area codes that are outside the local are of disruption may work more effectively.*

## **12.11 Alternate Facilities**

In the event a continuity plan requires an offsite facility, the following site may be used: Morris Monroe, 1941 Sawdust Rd, Spring TX 77380 (281) 364-1254, [tesa@the4monroes.com](mailto:tesa@the4monroes.com) or any other offsite facility deemed appropriate. Other facilities with remote access and/or trading capabilities are: 1) Laura Hendricks home; 2) Lufkin facility (1101 S Chestnut, Lufkin TX 75901, 936-634-3378, 888-835-3673, fax: 936-639-4776; [cmoss@tafgonline.com](mailto:cmoss@tafgonline.com), [jfaulkner@tafgonline.com](mailto:jfaulkner@tafgonline.com), [tsims@tafgonline.com](mailto:tsims@tafgonline.com)); 3) 103 Gemstone, Horseshoe Bay, Texas, 78657.

## **12.12 Budgeting**

Currently, the Company does not have a separate account setup for addressing continuity planning management. However, it will be considered as needs dictate for the ability to implement a continuity plan.

## **12.13 Testing**

To keep our plan current and effective, the Company will perform periodic testing of various functions to ensure completion or success. These include:

1. Backup Data: selected backup data conducted monthly, reloaded into system for accuracy and completion. Company maintains an excel spreadsheet to log any backup data restorations and tests different programs and/or file restorations.
2. Trading: Trading conducted on a regular basis from offsite locations to ensure functionality.
3. Telephone system: phones have been forwarded successfully through periodic testing.
4. Alternate emails have been used intermittently. Internet based Outlook tested on an ongoing basis since October 2008 (in the event Company network is unavailable).
5. Alternate Facility: personnel work in alternate facilities (including non-workdays) on an ongoing basis to test functionality.

## **12.14 Training**

All key team members will be trained at least annually on reviewing procedures and soliciting input for improvements. A record of annual training will be maintained in Company’s permanent records for a period of three years.

## **12.15 Review of Procedures**

The business continuity management plans will be reviewed at least annually by Morris Monroe and/or his designee. Revisions will be made as operations or business environments change. Any changes will be evidenced by the copy date and changes to the WSP.

## **Notice**

Company will provide notice of its BCP Summary to customers in the following manner (with any changes made to each respective delivery method):

* 1. Initial notice at the account opening phase as part of the New Account Form disclosures;
  2. Posted on Company’s public website;
  3. Upon written request; and
  4. Any material changes may be forwarded to all clients along with the annual Form ADV Part 2A notice.

## **12.17 MeriPlex Disaster Recovery Information**

* MeriPlex is our source for internet and phone services.
* General Information about MeriPlex’s infrastructure.
  + Redundant POP’s with one of those located in Downtown Houston.
    - 4th Floor
    - Building equipped with Emergency generators and backup generators to provide uptime.
    - No windows in data center.
    - 24/7 monitoring of data center.
  + Phone numbers to WSC can be easily forwarded to any number specified including cell phone numbers.
    - The functionality of forwarding numbers is dependent on the availability and functionality of cell phone towers and/or the land line themselves which are both out of the hands of the service provider.
    - The only thing needed for forwarding of the line is the line number itself and the number of the line to be forwarded to.
  + Ability to change our website to give information about the status of WSC such as..
    - New or temporary phone numbers
    - New or temporary location and address
    - News about the overall condition of the company.
    - Etc.
  + Ability to set up faxes to be sent to an email address of our choosing rather than having them sent to a physical fax machine.
* Procedures for the above mentioned.
  + Contact Dennis McCullough with all requests for phone or data services.
    - 936-414-1114 ©
    - 936-699-3079 (H)
    - 936-634-3378 (W)
    - 936-414-0879 (wife C)
  + Contact MeriPlex about the service needed. Have name of company and contact information ready to give. They have records of our numbers but have our main number available which is 281-367-2483. Have number of line to forward calls to available.
    - 936-404-2300 (W)
    - 832-689-4674 (David Henley (M))

**Meriplex Call Directing**

(Allows designation to an outside number where all incoming calls can be answered)

**Call Directing Activation – Dial 281-404-2285, enter PIN 2483\***, **then enter 10-digit phone number to direct calls to, then “#”** (no need to enter an 8 or 9 before the number).

**Deactivation: Dial 281-404-2285, enter** 2483\*, then #.

(Meriplex Service 281-404-2300; 281-404-2297; 866-637-4235, email: support@meriplex.com)

**WOODLANDS ASSET MANAGEMENT, INC.**

**COMPLIANCE PROCEDURE MANUAL**

# ACKNOWLEDGEMENT

I, the undersigned have read and understand the foregoing **Compliance Procedures and Policies** of the Company, including the **Anti-Money Laundering and Nonpublic Information** policies and procedures and I, have read and understand the foregoing **Code of Ethics** policies and procedures of the Company and hereby agree to comply in all respects with all such procedures. I also understand that any questions regarding these procedures and responsibilities should be directed to Morris Monroe.

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Signature Print Name Date

# *Exhibit A* - Supervisory Assignment of Associated Persons

# & List of Access Persons

|  |  |  |
| --- | --- | --- |
|  | **CRD #** | **NAME** |
| **1** | **1227631** | **\*MONROE, MORRIS Responsible Supervisor** |
| 2 | 1455026 | HENDRICKS, LAURA-ADMIN |
| 3 | 1832513 | VAUGHAN, DAVID |
| 4 | 1366633 | SEDITA, GLORIA ADMIN |
| 5 | 6816091 | LYON, MITCHELL - ADMIN |
| 6 | 6852616 | REECE, ASHLN– ADMIN |
| 7 | 4861690 | NULL, MELANIE – ADMIN |
|  |  | DAVIS, BOB |
|  |  | Other non-registered employees |
| **8** | **4190932** | **CHRIS MOSS Responsible Supervisor** |
| 9 | 1319249 | TELFORD, ROBERT |
| 10 | 1577155 | DAVIS, JACK |
| 11 | 5898711 | CORLEY, STEPHEN |
|  |  | Back office personnel |

**Access Persons:**  Supervised persons that have access to nonpublic information regarding recommendations to clients on the purchase or sale of securities, clients’ trading information or nonpublic information regarding the portfolio holdings of an affiliated mutual fund or are involved in providing investment advice to clients.

# *Exhibit B* – Organizational Chart of Employees

***Through WSC Payroll***

|  |  |  |  |
| --- | --- | --- | --- |
| **NAME** | **FULL**  **PART**  **TIME** | **POSITION** | **RESPONSIBILTIES** |
| Monroe, Morris | Full | Owner, Advisor, President | Supervision, advisor activities, management of Company. |
| Hendricks, Laura | Full | Compliance Department | Compliance, administration |
| Sedita, Gloria | Full | Trading/Account Customer Service | Account customer service, backoffice functions |
| Jenkins, Christina | Full | Receptionist | Telephone, Account Recordkeeping, Computer Operations |
| Smith, Connie | Full | Accounting | Financial Operations |
| Lyon, Mitchell | Full | Admin Support | Account customer service, backoffice functions, Solicitor/Agent |
| Reece, Ashlyn | Full | Admin Support | Account customer service, backoffice functions, |
| Null, Melanie | Full | Admin Support | Account customer service, backoffice functions, |

**REGISTERED AGENTS:**

Woodlands Office – Morris Monroe:

David Vaughan

Mitchell Lyon

Lufkin – Chris Moss:

Robert Telford

Jack Davis

Stephen Corley