

Southwest Securities Managed Accounts
Client Disclosure Brochure
Part 2A Appendix 1 of Form ADV: Wrap fee Program Brochure

CRD: 801-55529

Southwest Securities, Inc.
Attn. Investment Management Group
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Revised September 30, 2012

This wrap fee brochure provides information about the qualifications and business practices of Southwest Securities and our Managed Account Programs (the "Programs"). This information should be considered before becoming a Client of one of these Programs. If you have any questions about the Program or the contents of this brochure, please contact us at 214-859-6735 or FormADV2@swst.com

This information has not been approved or verified by the United States Exchange Commission or by any state securities authority. Additional information about Southwest Securities, Inc. is available on the SEC's website at www.Adviserinfo.sec.gov. You can search this site by our unique identifying number, known as a CRD number. The CRD number for Southwest Securities, Inc. is 801-55529. Registration does not imply a certain level of skill or training.

Summary of Material Changes

Updated September 30, 2012

This Brochure has been updated with the following material Changes that have occurred since the last annual update of our brochure September 30, 2011:

We have recently introduced a new advisory program on our platform, entitled Unified Managed Account. For additional information please see the Section entitled ***Unified Manager Account (UMA)*** program under ***Services Fees and Compensation*** beginning on page 16.

We have also added the following Paragraph under the Section titled ***Fees and Compensation*** to ensure that the Client Agreements and Disclosure Documents are consistent:

Clients should be aware that mutual funds contain internal expenses which are apart from and in addition to Program Account fees and which are described in the respective funds' prospectuses. Certain funds offered in the Program, while not having sales charges or having sales charges waived, may assess distribution fees, such as those assessed pursuant to SEC Rule 12b-1 of the Investment Company Act of 1940, as amended ("12b-1 Fees") which may be paid to Southwest. Client understands and acknowledges that Southwest will retain any fees, including but not limited to 12b-1 Fees, that are paid by such mutual funds and further acknowledges that any reduction in fees charged to accounts containing any mutual fund is intended to offset any 12b-1 Fee that may be payable by a mutual fund in which Client's Program Account is invested. A portion of these 12b-1 Fees may be paid to the Adviser. Client is referred to the respective mutual fund prospectuses for detailed information about such fees.

You may request a copy of our current Brochure at any time, without charge, by calling us at 214-859-6735 or e-mailing us at FormADV2@swst.com.

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Southwest Securities, Inc., a Delaware corporation ("SWST"), is a full service broker-dealer and Registered Investment Advisor, serving the investment and capital needs of individual, corporate and institutional clients, banking and thrift clients, and qualified accounts ("Client"). SWST is a wholly-owned subsidiary of SWS Group, Inc., a publicly owned company.

SWST, as a full service broker-dealer, provides brokerage, execution, clearing, custody, and investment banking services to its Clients. It is registered with the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, a member of the New York Stock Exchange, the American Stock Exchange, Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"). SWST is also a Registered Investment Advisor (RIA) registered with the SEC pursuant to the Investment Advisers Act of 1940. As an RIA, it completes a Form ADV, which contains additional information about its business and affiliates. Information is available through publicly available filings with the Securities and Exchange Commission at www.adviserinfo.sec.gov.

In comparing account types and programs and their relative costs, you should consider various factors, including, but not limited to: the range of investment products available in each program; preference for an advisory or brokerage relationship; preference for a fee-based or commission-based relationship.

Each SWST managed account is assigned to an Investment Adviser Representative (IAR). Any IAR of SWST who provides investment advice for a fee is required to meet the appropriate states regulatory requirements which may include an administered exam or an approved designation in lieu of an exam.

As of June 30, 2012, SWST has \$651,958,117 under management; \$574,734,036 on a non discretionary basis and \$77,224,141 on a discretionary basis.

Services, Fees and Compensation

SWST sponsors a number of wrap fee advisory programs that are designed to help clients' meet their investment objectives and goals. The accounts managed by SWST are generally not intended to provide you with a complete investment program and SWST expects that the assets it manages do not represent all of your assets. You are responsible for appropriately diversifying your assets to guard against the risk of loss. These programs may cost you more or less than purchasing the services separately. Some of these programs may be made available to affiliates of SWST or certain fully-disclosed firms that clear their transactions through SWST (Correspondents).

Services provided as part of the wrap fee for advisory accounts include:

- Access to an Investment Adviser Representative(IAR) for personal service and financial advice
- Review of suitability based on information provided in advisory agreements, new account forms and client interviews
- Portfolio Management Services
- Quarterly and/or Monthly Account Statements
- Quarterly Performance Reports
- Execution of client portfolio transactions
- Custodial services
- Fee Billing

Additional services may be provided based on the advisory program selected. Fees and additional service for each program are listed below.

Partner

The Partner Program ("Partner") is an investment advisory program which enables your Investment Adviser Representative to provide investment advice through a brokerage account with access to a wide spectrum of investments choices to help achieve portfolio diversification all for a single Wrap Fee. Within the Partner Program, your IAR assists you in developing a personalized investment portfolio using a variety of security types, including, but not limited to, common and preferred stocks, government bonds and government agency issues, mortgage-backed securities, corporate bonds, municipal bonds, notes, open-ended mutual funds offered at net asset value ("no load" or "load-waived" mutual funds), exchange traded funds, publicly traded closed-end mutual funds; American Depositary Receipts (ADRs), options, Real Estate Investment Trusts (REITs), , commodities and/or commodity-based securities. The IAR obtains the necessary financial data from you, assists you in determining the suitability of the advisory services and selecting the appropriate investment objective. The IAR provides ongoing investment advice and management that is tailored to your individual needs.

Sponsor offers a limited discretionary service in the Partner Program and is only available to a limited number of investment adviser representatives and clients who meet certain suitability and eligibility standards.

Partner Program Fees

Fees for the Partner Program are offered on a wrap-fee basis, covering all of our execution, consulting and custodial services. The standard Partner fee schedule, shown in the table below, is based on account size and is negotiable. Clients pay the rate of fee that corresponds to the range of value in which their Account value falls within the fee schedule. The fee schedule is not applied incrementally; the corresponding rate is applied to the entire Account Value in the determination of the fee. The fees do not cover the fees and expenses of any underlying ETF's, closed-end funds, or mutual funds. The fee is calculated using the market value of the account on the last day of the preceding quarter. The fee is applied to the account each calendar quarter, on a pro-rated quarterly basis and is billed in advance. A portion of any fees received by Sponsor may be paid to your Investment Adviser Representative.

Total Account Value	Maximum Annualized Fee for Individual Securities Accounts	Maximum Annualized Fee for Mutual Fund/ETF/UIT Accounts
Up to \$249,999	2.25%	1.75%
\$250,000- \$499,999	2.00%	1.50%
\$500,000- \$999,999	1.75%	1.25%
\$1,000,000 and over	1.50%	1.00%

When assets are added to or withdrawn from an account in an amount that exceeds \$50,000 during the calendar quarter, a fee will be calculated on this increase or re-calculated on a decrease and either debited or credited based on the change and pro-rated for the number of days remaining in the billing cycle.

Methods of Analysis

Each IAR has the independence to take the approach he or she believes is most appropriate when analyzing investment products and strategies for clients in the Partner Program. There are several sources of information that SWST and/or IARs may use as part of the investment analysis process. These sources include, but are not limited to:

- Financial publications
- Research materials prepared by third parties
- Corporate rating services
- SEC Filings (annual reports, prospectus, 10-K, etc.)
- Company press releases
- Regulatory and self-regulatory reports
- Other public sources

As a firm, SWST does not favor any specific method of analysis over another and therefore would not be considered to have one approach deemed to be a “significant strategy.” There are, however, a few common approaches that may be used by SWST or your IAR, individually or collectively, in the course of providing advice to clients. Please note that there is no investment strategy that will guarantee a profit or prevent loss. Following are some common strategies employed in the management of client accounts:

- **Dollar Cost Averaging (“DCA”):** The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. Periodic investment programs cannot guarantee a profit or protect against a loss in a declining market. Dollar-cost averaging is a long-term strategy that involves continuous investing, regardless of fluctuating price levels, and, as a result, you should consider your financial ability to continue to invest during periods of fluctuating price levels.
- **Asset Allocation:** An investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. At a high level, there are three main asset classes—equities (stocks), fixed income (bonds), and cash/cash equivalents—each of which has different risk and reward profiles/behaviors. Asset classes are often further divided into domestic and foreign investments, and equities are often divided into small, intermediate, and large capitalization. The general theory behind asset allocation is that each asset class will perform differently from the others in different market conditions. By diversifying a portfolio of investments among a wide range of asset classes, IARs seek to reduce the overall volatility and risk of a portfolio through avoiding overexposure to any one asset class during various market cycles. Asset allocation does not guarantee a profit or protect against loss.
- **Technical Analysis (a.k.a. “Charting”):** A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security’s intrinsic value. Instead, they use charts and other tools to identify patterns that can suggest future activity. When looking at individual equities, a person using technical analysis generally believes that performance of the stock, rather than performance of the company itself, has more to do with the company’s future stock price. It is important to understand that past performance does not guarantee future results.
- **Fundamental Analysis:** A method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security’s value, including macroeconomic factors (e.g., the overall economy and industry conditions) and company-specific factors (e.g., financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security’s current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis.
- **Quantitative Analysis:** An analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement, and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Some believe that it can also be used to predict real-world events, such as changes in a share price.
- **Qualitative Analysis:** Securities analysis that uses subjective judgment based on no quantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. This type of analysis technique is different from quantitative analysis, which focuses on numbers. The two techniques, however, are often used together.

Advantage

The Advantage Program is a non-discretionary Mutual Fund/ Exchange Traded Fund portfolio advisory program sponsored and administered by SWST. The asset allocation model includes a variety of asset types that, together,

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offer appropriate diversification to accommodate each investment objective. The models utilized are strategic in nature. Changes may occur from time to time to allocation, but adjustments to the asset allocation are expected to be infrequent. Where appropriate, multiple funds may be selected for a style to provide additional diversification.

The IAR analyzes and reviews each Client's individual financial situation and investment objectives to determine the asset allocation model most appropriate for their needs. SWST will identify and select various mutual funds and ETFs to be made available to you under the Program. You, with the assistance of your IAR will be responsible for the selection of investments and for the allocation of program assets among the various investments identified by SWST. You, the Client, are free at all times to accept or reject any recommendation from SWST, and you have the sole authority with regard to the implementation. You agree to immediately notify your IAR of any change in your financial situation.

If you invest assets through the Program, please note that you must carefully monitor your contributions to prevent them from inadvertently exceeding federal limits on your annual contribution for qualified accounts.

Unless directed otherwise by you, the Client, program assets will be automatically rebalanced as explained below.

The Rebalancing Process: Program assets will be automatically rebalanced on a periodic basis to maintain your target allocation among the Mutual Funds and ETFs. Recommended Asset Allocations may be updated and may change periodically. Portfolios are reviewed periodically to identify any allocation deviations that may trigger a further review of the individual portfolio and market conditions. The review may or may not result in an immediate rebalance of the portfolio. Your affirmative consent is not required to implement these changes. This rebalancing will be accomplished by selling the shares of the over-weighted funds and purchasing a corresponding dollar amount of the appropriate underweighted funds, provided that the sale and the purchase are each in an amount above \$25 or an amount as determined by SWST. SWST reserves the right to change the rebalancing percentage measure or the minimum dollar amount of individual rebalancing transactions. If you decline auto rebalancing, your asset allocations may deviate from your initial allocations and from the risk/return objectives stated in your profile.

Advantage Program Fees

Fees for the Advantage Program are offered on a wrap-fee basis, covering all of our execution, consulting and custodial services. The standard Advantage fee schedule, shown in the table below, is based on account size and is negotiable. Clients pay the rate of fee that corresponds to the range of value in which their Account value falls within the fee schedule. The fee schedule is not applied incrementally; the corresponding rate is applied to the entire Account Value in the determination of the fee. The fees do not cover the fees and expenses of any underlying ETF's, closed-end funds, or mutual funds. The fee is calculated using the market value of the account on the last day of the preceding quarter. The fee is applied to the account each calendar quarter, on a pro-rated quarterly basis and is billed in advance. A portion of any fees received by Sponsor may be paid to your Investment Adviser Representative.

Total Account Value	Maximum Annualized Fee
Up to \$249,999	1.75%
\$250,000- \$499,999	1.50%
\$500,000- \$999,999	1.25%
\$1,000,000 and over	1.00%

When assets are added to or withdrawn from an account in an amount that exceeds \$30,000 during the calendar quarter, a fee will be calculated on this increase or re-calculated on a decrease and either debited or credited based on the change and pro-rated for the number of days remaining in the billing cycle.

We will retain between 0-100% of the Program Fee and will pay the remaining portion to the IAR and/or Correspondent firm (if applicable) as agreed upon with each individual representative. This amount may vary

depending on a number of factors including negotiated agreements, assets under management or other factors as determined by SWST. For Clients of Correspondent(s), SWST will retain between .10% and .30% of the Program Fee assessed to the Client. The remaining portion is paid to the Correspondent and shared as determined by the Correspondent IAR.

Employee Benefit Plan or IRA Accounts

The following provisions apply to an employee benefit plan or account subject to the Title I Part 4 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and a plan or account subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), all such plans or accounts hereinafter referred to as a "Plan," and the portion of such Plan held in a Program account is hereinafter referred to as the Client's "Plan Account."

To the extent that SWST, its IARs, Correspondents and their Correspondent IARs provide investment advice with respect to a Client's Plan Account for a fee, each acknowledges that it is a "fiduciary" within the meaning of Section 3(21) of ERISA and Section 4975(e)(3) of the Internal Revenue Code. In connection with the maintenance of a Client's Plan Account, SWST may rely on one or more prohibited transaction exemptions under ERISA and/or the Internal Revenue Code; to comply with the requirements of such exemptions, Plan Clients may be required to provide SWST with certain requested information or acknowledgements as necessary to comply with the conditions or such exemptions. None of SWST, its Investment Adviser Representatives, Correspondents and their Correspondent IARs will have or exercise any discretionary authority or control over the assets in a Client's Plan Account, have any duty or obligations with respect to the administration/operation of the Plan, or have the duty or obligation to diversify the Plan's overall investments.

The Client remains solely responsible for (i) determining whether and to what extent the Plan Account is appropriate for the Client and the Plan; (ii) compliance with the Plan's governing documents; and (iii) compliance with the requirements, duties and obligations under ERISA and/or the Internal Revenue Code, including, without limitation, the duty to diversify the assets in the Plan Account. The Client should carefully review this brochure and evaluate the services provided by SWST, its Investment Adviser Representatives, Correspondents and their Correspondent IARs, and their affiliates, the reasonableness of the overall fees charged for such services, and the effect of any potential conflicts of interest.

With respect to any Service Fees and Sweep Compensation that may be payable to SWST, IARs, Correspondents, Correspondent IARs, and/or their affiliates, unless an appropriate exemption applies or the compensation is otherwise permitted under applicable law, the Program Fees charged to a Client's Plan Account will be reduced and offset by the respective amount of compensation received from the mutual funds and/or money market funds in connection with the investment of Plan Account assets in such mutual funds and money market funds.

If ERISA or other applicable law requires bonding with respect to the assets in the Plan Account, the Client will obtain and maintain at its expense any required bonding and will cover SWST, its Investment Advisory Representatives, Correspondents and their Correspondent IARs, as applicable.

Methods of Analysis

SWST maintains a list of mutual funds and ETFs eligible to participate in the Advantage Program. Selection of the eligible funds may include the following minimum criteria stated below. SWST reserves the right to update and change the criteria at our discretion.

For Mutual Funds:

- The funds that have received four or five stars on the Morningstar rating system¹.
- The funds must have selling agreements in place with SWST and be wrap-eligible.
- The funds classification must match those of the allocation strategy.

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- The funds must be open to new and/or additional investments.
- The funds must have a 12b-1 fee of 0.25 or less.
- The funds must have a minimum initial purchase amount of \$3,000 or less

For ETFs:

- The ETF classification must match those of the allocation strategy
- Fund expense ratio to be equal to or less than .75

From the eligible-funds list, the IAR will further review the funds to recommend funds for your account based on your stated needs and objectives. Each adviser may have a different philosophy or criteria in the review and selection of investment products.

Each quarter the list is reviewed by SWST. Mutual Funds and ETFs that are on the list that do not meet the initial qualifying parameters the next quarter may be removed from the eligible funds list for new money, and the IAR(s) of SWST (or Correspondent(s), where applicable) is notified of the status change and the reason for any change is made available to them. For mutual funds that are no longer open to new and/or additional investments, Clients that maintain a position may continue to do so as deemed appropriate by the IAR(s) of SWST (or Correspondent(s), where applicable). Changes in the portfolio may cause the existing position to increase or decrease to re-align with the pre-determined asset allocation.

SWST has also contracted with SunGard, Inc., to provide access to SunGard's portfolio modeling and asset allocation systems. IAR(s) of SWST (or Correspondent(s), where applicable) have the option to utilize SunGard's systems to provide you with an asset allocation proposal based on your risk tolerance and Client profile.

The Investment Policy Committee periodically reviews the SunGard, Inc systems to ensure the systems and methods used in performing Client profiling, asset allocation and portfolio construction adequately reflect and represent the Committee's philosophy and policies regarding those matters.

The Committee also reviews the SWST methods and processes of gathering information on mutual funds and investment vehicles.

Global Tactical Allocation (GTA) Program

The GTA Program is a non-discretionary asset allocation program sponsored and administered by SWST. The GTA account applies a Tactical Asset Allocation (TAA) strategy actively adjusting a portfolio's allocation mix based on a view of the markets over the next 12 months by over/underweighting underlying asset classes to determine the appropriate asset allocation mix in consideration of current market conditions. Your Client Target Allocation is determined by a variety of indicators that look at fundamental, technical, quantitative, modeling and valuation methodologies that are used to create asset allocation recommendations.

The IAR analyzes and reviews each Client's individual financial situation and investment objectives to determine the asset allocation model most appropriate for their needs. SWST will identify and select various mutual funds and ETFs to be made available to you under the Program. You, with the assistance of your IAR will be responsible for the selection of investments and for the allocation of program assets among the various investments identified by SWST. You, the Client, are free at all times to accept or reject any recommendation from SWST, and you have the sole authority with regard to the implementation. You agree to immediately notify your IAR of any change in your financial situation.

If you invest assets through the Program, please note that you must carefully monitor your contributions to prevent them from inadvertently exceeding federal limits on your annual contribution for qualified accounts.

Program assets will be automatically rebalanced as explained below.

The Rebalancing Process: Program assets will be automatically rebalanced on a periodic basis to maintain your target allocation among the Mutual Funds and ETFs. Recommended Asset Allocations may be updated and may

change periodically. Portfolios are reviewed periodically to identify any allocation deviations that may trigger a further review of the individual portfolio and market conditions. The review may or may not result in an immediate rebalance of the portfolio. Your affirmative consent is not required to implement these changes. This rebalancing will be accomplished by selling the shares of the over-weighted funds and purchasing a corresponding dollar amount of the appropriate underweighted funds, provided that the sale and the purchase are each in an amount above \$25 or an amount as determined by SWST. SWST reserves the right to change the rebalancing percentage measure or the minimum dollar amount of individual rebalancing transactions. If you decline auto rebalancing, your asset allocations may deviate from your initial allocations and from the risk/return objectives stated in your profile.

GTA Program Fees

Fees for the GTA Program are offered on a wrap-fee basis, covering all of our execution, consulting and custodial services. The standard GTA fee schedule, shown in the table below, is based on account size and is negotiable. Clients pay the rate of fee that corresponds to the range of value in which their Account value falls within the fee schedule. The fee schedule is not applied incrementally; the corresponding rate is applied to the entire Account Value in the determination of the fee. The fees do not cover the fees and expenses of any underlying ETF's, closed-end funds, or mutual funds. The fee is calculated using the market value of the account on the last day of the preceding quarter. The fee is applied to the account each calendar quarter, on a pro-rated quarterly basis and is billed in advance. A portion of any fees received by Sponsor may be paid to your Investment Adviser Representative.

Total Account Value	Maximum Annualized Fee
Up to \$249,999	2.00%
\$250,000- \$499,999	1.75%
\$500,000- \$999,999	1.50%
\$1,000,000 and over	1.25%

When assets are added to or withdrawn from an account in an amount that exceeds \$50,000 during the calendar quarter, a fee will be calculated on this increase or decrease and either debited or credited based on the change and pro-rated for the number of days remaining in the billing cycle.

We will retain between 0-100% of the Program Fee and will pay the remaining portion to the IAR and/or Correspondent firm (if applicable) as agreed upon with each individual representative. This amount may vary depending on a number of factors including negotiated agreements, assets under management or other factors as determined by SWST. For Clients of Correspondent(s), SWST will retain between .10% and .30% of the Program Fee assessed to the Client. The remaining portion is paid to the Correspondent and shared as determined by the Correspondent IAR

Methods of Analysis

SWST maintains a list of mutual funds and ETFs eligible to participate in the Program. Selection of the eligible funds may include the following minimum criteria stated below. SWST reserves the right to update and change the criteria at our discretion.

For Mutual Funds:

- The funds that have received four or five stars on the Morningstar rating system².
- The funds must also have selling agreements in place with SWST and be wrap-eligible.
- The mutual fund classification must match those of the allocation strategy.
- The mutual fund must be open to new and/or additional investments.
- The funds must have a minimum initial purchase amount of \$5,000 or less

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For ETFs:

- The ETF classification must match those of the allocation strategy
- Fund expense ratio to be equal to or less than .75

From the eligible-funds list, IAR(s) of SWST (or Correspondent(s), where applicable) will further review the funds to recommend funds for your account based on the stated needs and objectives of the Client. Each adviser may have a different philosophy or criteria in the review and selection of investment products.

Each quarter the list is reviewed by SWST. Mutual Funds and ETFs that are on the list that do not meet the initial qualifying parameters the next quarter may be removed from the eligible funds list for new money, and the IAR(s) of SWST (or Correspondent(s), where applicable) is notified of the status change and the reason for any change is made available to them. For mutual funds that are no longer open to new and/or additional investments, Clients that maintain a position may continue to do so as deemed appropriate by the IAR(s) of SWST (or Correspondent(s), where applicable). Changes in the portfolio may cause the existing position to increase or decrease to re-align with the pre-determined asset allocation.

SWST has contracted with SunGard, Inc., to provide access to SunGard's portfolio modeling and asset allocation systems. IAR(s) of SWST (or Correspondent(s), where applicable) have the option to utilize SunGard's systems to provide you with an asset allocation proposal based on your risk tolerance and Client profile.

The Investment Policy Committee periodically reviews the SunGard, Inc systems to ensure the systems and methods used in performing Client profiling, asset allocation and portfolio construction adequately reflect and represent the Committee's philosophy and policies regarding those matters.

The Committee also reviews the SWST methods and processes of gathering information on mutual funds and investment vehicles.

Russell Strategies

The Program is a discretionary asset allocation investment program. The Program gives you the opportunity to allocate assets among various mutual fund portfolios of the Russell Investment Company ("Russell"). Russell is registered under the Investment Company Act of 1940. Russell determines the asset allocation and fund selection for the Russell Model Strategies. You may select a Strategy and appoint Southwest Securities to manage the portfolio on a discretionary basis.

The service begins with a consultation with the Investment Adviser Representative with the Client to review the Client's investment objectives, financial circumstances and risk tolerance. The Client is asked to complete a Client Profile/Questionnaire ("Client Profile") to document the results of this assessment. After reviewing the results of the Client profile, the IAR will recommend a target allocation of Russell Funds. These allocations seek to appropriately balance your financial objectives with your risk tolerance as part of an investment strategy. You agree to immediately notify your IAR (or Correspondent IAR, if applicable) of any change in your financial situation.

For each model, Russell determines the Strategy, including the underlying Russell Funds to be used for each Strategy, the allocation of assets to each Russell Fund, and the Investment advisory firms ("money managers") responsible for managing the assets of each Russell Fund. Typically, no more frequently than annually will Russell make changes to the Russell Funds underlying the Strategies; however, on a regular basis Russell may change the money managers for the Russell Funds and/or the allocation of assets of the Russell funds to the various money managers. At Southwest Securities discretion, Southwest Securities will implement the changes proposed by Russell.

Fund–selected investment managers are terminated or replaced by Russell generally due to changes in senior investment personnel and/or a deviation from the desired investment discipline. Such changes to fund investments are made without prior notice to Client.

The Rebalancing Process: Program assets will be automatically rebalanced on a periodic basis to maintain your target allocation among the Mutual Funds. Recommended Asset Allocations may be updated and may change periodically. Rebalancing includes changes to recommended asset allocations, trades to realign or rebalance the account within the existing allocation after market fluctuation or account inflows/outflows move an asset class beyond limits established for each model and is conducted on as needed basis. Portfolios are reviewed periodically to identify any allocation deviations that may trigger a further review of the individual portfolio and market conditions. The review may or may not result in an immediate rebalance of the portfolio. Your affirmative consent is not required to implement these changes. This rebalancing will be accomplished by selling the shares of the over-weighted funds and purchasing a corresponding dollar amount of the appropriate underweighted funds, provided that the sale and the purchase are each in an amount above \$25 or an amount as determined by SWST. SWST reserves the right to change the rebalancing percentage measure or the minimum dollar amount of individual rebalancing transactions.

Russell Program Fees

Fees for the Russell Program are offered on a wrap-fee basis, covering all of our execution, consulting and custodial services. The standard Russell fee schedule, shown in the table below, is based on account size and is negotiable. Clients pay the rate of fee that corresponds to the range of value in which their Account value falls within the fee schedule. The fee schedule is not applied incrementally; the corresponding rate is applied to the entire Account Value in the determination of the fee. The fees do not cover the fees and expenses of any underlying ETF's, closed-end funds, or mutual funds. The fee is calculated using the market value of the account on the last day of the preceding quarter. The fee is applied to the account each calendar quarter, on a pro-rated quarterly basis and is billed in advance. A portion of any fees received by Sponsor may be paid to your Investment Adviser Representative.

Total Account Value	Maximum Annualized Fee for Individual Securities Accounts
Up to \$249,999	2.25%
\$250,000- \$499,999	2.00%
\$500,000- \$999,999	1.75%
\$1,000,000 and over	1.50%

When assets are added to or withdrawn from an account in an amount that exceeds \$30,000 during the calendar quarter, a fee will be calculated on this increase or decrease and either debited or credited based on the change and pro-rated for the number of days remaining in the billing cycle.

SWST will retain between 0-100% of the Program Fee and will pay the remaining portion to the IAR and/or Correspondent firm (if applicable) as agreed upon with each individual representative. This amount may vary depending on a number of factors including negotiated agreements, assets under management or other factors as determined by SWST. For Clients of Correspondent(s), SWST will retain between .10% and .30% of the Program Fee assessed to the Client. The remaining portion is paid to the Correspondent and shared as determined by the Correspondent IAR

Methods of Analysis

Russell Strategies Funds are limited to shares of certain funds operated and administered by Russell Investment Management Company ("Russell") and are the only funds offered through the Russell Strategies Program. SWST relies on the research analysis performed by Russell with respect to the Funds offered under the Program. Russell evaluates and retains one or more investment management organizations to manage each fund available in the

program. Certain funds may not be available to all clients because of account types, fee schedules, geographic availability, or other factors.

The Investment Policy Committee periodically reviews Russell's methods and processes of gathering information on mutual funds and investment vehicles.

You should notify his or her IAR(s) of SWST (or Correspondent(s), where applicable) of any restrictions they wish to impose on their account. The Adviser will comply with any reasonable restrictions given by you concerning the management of the account. Reasonable restrictions generally will include prohibitions on the recommendation of particular mutual funds or funds in a sector. If your restrictions are unreasonable or SWST believes that the instructions are inappropriate for you, SWST will notify you, that unless the instructions are modified, SWST may terminate the account.

Premier Advisors

The Premier Advisors program is a discretionary investment advisory program sponsored by SWST (Sponsor) that provides you access to a broad selection of Separately Managed Accounts (SMA). In an SMA, you are offered access to actively managed investment portfolios managed by independent investment managers. Unlike a mutual fund, where funds are comingled, a separately managed account is a portfolio of individually owned securities that can be tailored to fit the Client's investing preferences. The asset managers who may be selected for these Programs employ different methods of analysis that are described in each managers' Disclosure Brochure.

Premier Advisors is made available with Envestnet Asset Management, Inc., a non-affiliate investment adviser registered under the Investment Advisers Act, through its web-based platform. As manager of the web-based platform, Envestnet has entered into a sub-management agreement with investment managers (Envestnet Managers) to manage various types of portfolios offered through the platform and to develop model portfolios and research that may be made available to Sponsor, IAR's and IAR clients. For certain Envestnet Managers, Envestnet has entered into a licensing agreement with the Manager, whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the sub-manager. In such Situation the Sub-Manager is acting in the role of Model Provider. The Model Providers are responsible for all investment selections made for the portfolios they create. It is up to the investor to select a Third Party Model portfolio. Unless Envestnet affirmatively cites the Model Providers as Approved as described below in Methods of Analysis, Envestnet does not collect and report data on investment style and philosophy, past performance and personnel of Model Providers.

SWST may also allow one or more independent Registered Investment Advisor ("Co-Advisor") and their IARs ("Co-Advisor IARs") to offer the Program to their investment advisory client. Certain Co-Advisors may be affiliated with SWST.

Premier Advisors Program Fees

The *Premier Advisors* program pays an all-inclusive fee, out of which SWST pays for all portfolio management and administration (including Envestnet and Envestnet Manager Fees and fees payable to the Sponsor, IARs and/or Co-Advisor and/or Co-Advisor IARs) as well as costs for transaction execution, clearing, custody and reporting. The sub-manager's fee will generally fall within a range of 0.15% - 0.75% (annual rate) of assets under management. The fee payable to SWST, as the Sponsor will generally fall within a range of 0.10% - 0.38% (annual rate) of assets under management.

Where applicable, SWST may also pay IAR (or if applicable Co-Advisor) a portion of the fee for providing advisory services to Clients introduced to the program by the IAR/Co-Advisor. The fee payable to the IAR/or Co-Advisor will generally fall within a range of 0.50% - 1.75% (annual rate) of assets under management.

The level of fee will vary with the amount of assets under advisement in the *Premier Advisors* program and the particular investment styles and investment options chosen or recommended. Clients may receive comparable services from other sources for fees that are lower or higher than those charged by SWST.

The standard fee schedule for the *Premier Advisors* program services is set forth below, but may be negotiable in individual cases:

Total Account Value	Maximum Annualized Fee for Equity/Balanced Portfolios	Maximum Annualized Fee for Fixed Income Portfolios
First \$ 250,000	2.90-3.00%	1.55 -1.65%
Next \$ 250,000	2.40 – 2.50%	1.40 – 1.50%
Next \$ 500,000	2.15 – 2.25%	1.25 – 1.35%
Next \$ 4,000,000	1.90 – 2.00%	1.05 – 1.15%
Over \$5,000,000	1.75 – 1.85%	0.90 – 1.00%

** The total fee actually charged to the Client's account(s) may vary depending upon the selection of sub-managers and allocation of total portfolio assets thereto, the total amount of portfolio assets in the program and other factors.*

Additions and Withdrawals from a Premier Advisors Account

If you make a deposit or withdrawal of \$10,000 or more during a fee period, you will be debited or credited a pro-rated fee on the market value of the assets. The pro-rated amount will be due on the date you deposit the additional assets into your account or you will receive a pro-rated adjustment of refund of any prepaid fee.

Methods of Analysis

SWST relies on Investnet for analysis, information, asset allocation strategies and the identification, selection and monitoring of Investnet Managers. Investnet is responsible for the selection of Managers offered on the Premier Advisors platform. Investnet seeks Investnet Managers with a variety of investment strategies available. Some strategies may be high-risk strategies and such strategies are not intended for all investors. Clients who choose to follow high-risk strategies should know that there is a possibility of significant loss. Please review Investnet's Form ADV Part 2A Appendix 1 for more information about its advisory business.

Investnet Managers offered by Investnet may be considered "Approved" or "Available", depending on the level of due diligence performed. "Approved Investnet Managers" are evaluated using data and information from several sources, including independent databases. Among the types of information analyzed are historical performance and volatility, and qualitative factors such as the Approved Investnet Manager's and investment vehicle's reputation and approach to investing. Investnet also reviews the Investnet Manager's Form ADV Part 2A and portfolio holding reports. To ensure accuracy, Investnet attempts to verify all information by comparing it to publicly available sources.

In addition to Approved Sub-Managers, Investnet also makes available certain Sub-Manager with respect to whom Investnet has not performed Due Diligence. These sub managers are categorized as "Available Sub-Managers" and Investnet makes no recommendations concerning Available sub-Managers. Your IAR will recommend and perform their own research on sub-managers and investment vehicles that it believes are most appropriate for the Client's individual circumstances.

SWST conducts annual review of Investnet and Investnet Managers. This review is based on applicable information gathered from various sources including disclosure documents, annual questionnaires, performance, assets under management and other applicable criteria. As a result of those reviews, Sponsor may request that Investnet and/or Investnet Manager take corrective action to address such concerns. From time to time, these reviews may also result in the removal of an Investnet Manager.

Direct Access

The Direct Access program is a investment advisory program sponsored by SWST (Sponsor) that provides you access to a selection of Investment Managers and Third Party Strategists(Strategists) managed on a discretionary basis . We assist you selecting one or more investment managers and/or Strategists from a roster based on your

financial situation, investment objectives and risk tolerance. We also provide you with monitoring and reporting of portfolio performance on a periodic basis.

For certain Investment Managers and Third Party Strategists, SWST may enter into an agreement with the Manager/Strategist, whereby SWST performs administrative and/or trading duties pursuant to the direction of the Manager/Strategist. In such Situation the Manager/Strategist is acting in the role of Model Provider. In such situations, The Investment Manager/Strategist determines both the asset allocation and the security selection utilized in the portfolio.

We reserve the right to remove any manager/strategist who is terminated from the Direct Access Program without prior notice to you. Factors involved in our decision to remove a Manager/Strategist may include failure to adhere to a management style or your objectives, a material change in the adviser's professional staff, unexplained poor performance, dispersions of Client account performance, or our decision to no longer include the manager/strategists on our roster. SWST will determine whether any or all of these factors are material when deciding whether to recommend termination. You may also elect to remove manager/strategist from your account.

Information we collected regarding manager/strategist, mutual funds and ETFs is believed to be reliable and accurate, but we do not necessarily independently review or verify it on all occasions. While performance results are generally reported to us through consultants or manager/strategist on a standard gross of fees or a commission basis, we do not audit or verify that these results are calculated on a uniform or consistent basis as provided by a manager/strategist directly to us or through the consulting service we use.

Direct Access is available through SWST and its IARs. SWST may also allow one or more independent Registered Investment Advisor ("Co-Adviser") and their IARs ("Co-Adviser IARs") to offer the Program to their investment advisory client. Certain Co-Advisors may be affiliated with SWST.

Direct Access Program Fees

Fees for the *Direct Access* are offered on a wrap-fee basis, covering execution, consulting and custodial service as well as each Investment Managers/Third Party Strategists fee for services. We compensate Managers/Strategists from 0.15% - 0.60% annually based on total aggregate Client dollars with each Manager/Strategists. We may have a conflict of interest to recommend selections of management styles and advisers that would result in a lower percentage of advisory fees. We intend, however to make all recommendations independent of such fee consideration and based solely on our obligations to consider your objectives and needs.

The standard fee schedule for the *Direct Access* program services is set forth below, but is negotiable in individual cases:

Total Account Value	Maximum Annualized Fee		
	Equity/Balanced Portfolios	Fixed Income Portfolios	Mutual Funds/ETF's
\$50,0000 to \$250,000	3.00%	1.65%	1.75%
\$250,001 to \$500,000	2.50%	1.50%	1.50%
\$500,001 to \$1,000,000	2.25%	1.35%	1.25%
\$1,000,001 to \$5,000,000	2.00%	1.15%	1.10%
\$5,000,000 and up	1.85%	1.00%	0.95%

Additions and Withdrawals from a Direct Access Account

If you make a deposit of additional assets of \$10,000 or more into your account during a fee period, you will pay a pro- rated fee on the market value of the additional assets. The pro-rated amount will be due on the date you deposit the additional assets into your account. If you make a withdrawal of \$10,000 or more during the quarter, you will receive a pro-rated adjustment of refund of any prepaid fee.

Methods of Analysis

Your IAR will recommend and perform their own research on Managers/Strategists and investment vehicles that it believes are most appropriate for the Client's individual circumstances.

The roster of investment managers and strategists is evaluated by SWST and meets quantitative and qualitative research criteria. The factors influencing our inclusion of a manager or strategists on the roster may include the past performance, management style, number and continuity of investment professionals, changes in investment process or personnel and client servicing capabilities, etc. At least annually, we will conduct a review of the managers/strategists within the program to insure objective and consistent due diligence standards.

Unified Managed Account (UMA) Program

The Unified Managed Account is a discretionary Investment Advisory Services sponsored by SWST (Sponsor) that provides you access to a broad selection of investment managers, eligible no-load and load waived mutual funds and eligible ETF's in a single portfolio. We will assist in creating a customized portfolio, providing you with recommendations regarding the asset allocation and underlying investment vehicles or investment strategies. You shall select the asset allocation and the underlying investment vehicles or investment strategies. The asset managers who may be selected for this program employ different methods of analysis that are described in each manager's Disclosure Brochure. In addition, to extent that other investment vehicles are utilized in your portfolio such as mutual funds/ETFs, you should read the offering documents (e.g., prospectus, offering memorandum, etc.) carefully to fully understand the various risks, investment objectives, expenses and other information about the company associated with the investment.

UMA is made available with Envestnet Asset Management, Inc., a non-affiliate investment adviser registered under the Investment Advisers Act, through its web-based platform. As manager of the web-based platform, Envestnet has entered into a sub-management agreement with investment managers (Envestnet Managers) to manage various types of portfolios offered through the platform and to develop model portfolios and research that may be made available to Sponsor, IAR's and IAR clients. Envestnet provides overlay management services for UMA accounts and implements trade orders based on the direction of the investment strategies contained in the UMA portfolio. For certain Envestnet Managers, Envestnet has entered into a licensing agreement with the Manager, whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the sub-manager. In such Situation the Sub-Manager is acting in the role of Model Provider. The Model Providers are responsible for all investment selections made for the portfolios they create. It is up to the investor to select a Third Party Model portfolio. Unless Envestnet affirmatively cites the Model Providers as Approved as described below in Methods of Analysis, Envestnet does not collect and report data on investment style and philosophy, past performance and personnel of Model Providers.

SWST may also allow one or more independent Registered Investment Advisor ("Co-Advisor") and their IARs ("Co-Advisor IARs") to offer the Program to their investment advisory client. Certain Co-Advisors may be affiliated with SWST.

UMA Program Fees

The *UMA* program pays an all-inclusive fee, out of which SWST pays for all portfolio management and administration (including Envestnet and Investment Manager Fees and fees payable to the Sponsor, IARs and/or Co-Advisor and/or Co-Advisor IARs) as well as costs for transaction execution, clearing, custody and reporting.

The fee payable to SWST, as the Sponsor will generally fall within a range of 0.10% - 0.38% (annual rate) of assets under management.

Where applicable, SWST may also pay IAR (or if applicable Co-Adviser) a portion of the fee for providing advisory services to Clients introduced to the program by the IAR/Co-Adviser. The fee payable to the IAR/or Co-Adviser will generally fall within a range of 0.50% - 1.75% (annual rate) of assets under management.

The level of fee will vary with the amount of assets under advisement in the *UMA* program and the particular investment styles and investment options chosen or recommended. You may receive comparable services from other sources for fees that are lower or higher than those charged by SWST.

The standard fee schedule for the *UMA* program services is set forth below, but may be negotiable in individual cases:

Total Account Value	Maximum Annualized Fee
First \$ 250,000	2.35%
Next \$ 250,000	2.30%
Next \$ 500,000	2.10%
Next \$ 4,000,000	1.90%
Over \$5,000,000	1.70%

** The total fee actually charged to the Client's account(s) may vary depending upon the selection of sub-managers and allocation of total portfolio assets thereto, the total amount of portfolio assets in the program and other factors.*

Additions and Withdrawals from an UMA Account

If you make a deposit or withdrawal of \$10,000 or more during a fee period, you will be debited or credited a pro-rated fee on the market value of the assets. The pro-rated amount will be due on the date you deposit the additional assets into your account or you will receive a pro-rated adjustment of refund of any prepaid fee.

Methods of Analysis

SWST relies on Envestnet for analysis, information, asset allocation strategies and the identification, selection and monitoring of Envestnet Managers. Envestnet is responsible for the selection of Managers and other investment vehicle such as mutual funds and/or ETF's offered on the *UMA* platform. Envestnet seeks Envestnet Managers with a variety of investment strategies available. Some strategies may be high-risk strategies and such strategies are not intended for all investors. Clients who choose to follow high-risk strategies should know that there is a possibility of significant loss. Please review Envestnet's Form ADV Part 2A Appendix 1 for more information about its advisory business.

Envestnet Managers offered by Envestnet may be considered "Approved" or "Available", depending on the level of due diligence performed. "Approved Envestnet Managers" are evaluated using data and information from several sources, including independent databases. Among the types of information analyzed are historical performance and volatility, and qualitative factors such as the Approved Envestnet Manager's and investment vehicle's reputation and approach to investing. Envestnet also reviews the Envestnet Manager's Form ADV Part 2A and portfolio holding reports. To ensure accuracy, Envestnet attempts to verify all information by comparing it to publicly available sources.

In addition to Approved Sub-Managers, Envestnet also makes available certain Sub-Manager with respect to whom Envestnet has not performed Due Diligence. These sub managers are categorized as "Available Sub-Managers" and Envestnet makes no recommendations concerning Available sub-Managers. Your IAR will recommend and perform their own research on sub-managers and investment vehicles that it believes are most appropriate for the Client's individual circumstances.

SWST conducts annual review of Envestnet and Envestnet Managers. This review is based on applicable information gathered from various sources including disclosure documents, annual questionnaires, performance,

assets under management and other applicable criteria. As a result of those reviews, Sponsor may request that Envestnet and/or Envestnet Manager take corrective action to address such concerns. From time to time, these reviews may also result in the removal of an Envestnet Manager

The asset managers who may be selected for this program employ different methods of analysis that are described in each managers' Disclosure Brochure. In addition, to extent that other investment vehicles are utilized in your portfolio such as mutual funds/ETFs, you should read the offering documents (e.g., prospectus, offering memorandum, etc.) carefully to fully understand the various risks, investment objectives, expenses and other information about the company associated with the investment.

Fees and Compensation

The fees do not cover the fees and expenses of any underlying ETF's, closed-end funds, or mutual funds, fees for ancillary services such as wire transfers, returned checks, etc. nor does it cover applicable exchange fees.

You should be aware that commissions or Program fees charged may be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory services provided. Our fee schedules are subject to negotiation, depending upon a range of factors including, but not limited to, account sizes and overall range of services provided.

SWST may act a co-advisor and/or provide certain services offered by its affiliate SWS Financial Services, Inc. and certain fully disclosed firms that clear their transactions through Southwest Securities, Inc. The fees that these firms charge may be more or less than what is stated in this Disclosure Brochure. Please refer to the disclosure document of those firms, as appropriate to determine the fees they charge.

You should consider the value of these advisory services when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple Accounts, documentation and fees. You should also consider the amount of anticipated trading activity when selecting among the Programs and assessing the overall cost. Advisory Programs typically assume a normal amount of trading activity and, therefore, under particular circumstance, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

If you liquidate securities prior to initiating or after terminating program service, you will be subject to customary brokerage charges with respect to that transaction, in addition to any program fees that are applicable during the period.

For all Programs, cash or money market investments will be included in the determination of Client's Account Value. Cash balances will be automatically invested in one of several sweep options, which include money market funds, unless directed otherwise. These sweep options included the Bank Insured Deposit, Dreyfus General Money Market Fund or other selections. The Bank Insured Deposit (BID) is a program administered by Reich and Tang Deposit Solutions ("R&T") which involves a series of FDIC Insured bank accounts maintained at various participant banks, including Southwest Securities, FSB (SWS-FSB) in Dallas, Texas, an affiliate of the Adviser. Adviser anticipates receiving fees, including fees for administrative services and other financial benefits for providing sweep funds to R&T. Adviser anticipates that SWS-FSB will receive a financial benefit from the use of sweep funds, such as net interest income. A portion of fees received may be paid to the Adviser or IAR. Adviser has additional arrangements with Dreyfus Funds or other funds to receive compensation based on assets invested in their respective money market funds. This compensation may be shared with the Adviser. A list of participant banks available in BID is available at www.swst.com. For complete sweep account disclosures, please see the Customer Information Brochure. The Sweep Compensation is in addition to any Program Fees.

The client's IAR may have a financial incentive to recommend a fee-based advisory program rather than paying for investment advisory services, brokerage, performance reporting and other services separately. A portion of the annual advisory fee is paid to the client's IAR, which may be more than the IAR would receive under an alternative program or if the client paid for these services separately. Therefore, the client's IAR may have a financial incentive to recommend a particular account program over another. In addition, your IAR may receive incentive compensation for utilizing a particular account program. Such incentive compensation is generally available as follows:

IARs utilizing any of the previously mentioned account programs offered by SWST generally receive compensation in the form of asset-based fees, and this compensation is typically credited to the IAR on a quarterly basis.

IARs are typically compensated based on their annual gross production, whereby higher gross production will generally result in higher payouts. These compensation programs constitute a targeted payout increase to certain qualified IARs based on economies of scale achieved by SWST, its affiliates and IARs at increasing asset levels. However, such compensation arrangements may represent a conflict of interest where an IAR may be incentivized to recommend an asset-based fee account program rather than recommending an alternative product or service, if comparable or if available separately to clients. Clients should be aware of such arrangements and should consult their IAR for additional details regarding the financial advisor's compensation levels in fee-based accounts.

Clients should be aware that only those mutual fund companies with which SWST has a selling agreement will be available for purchase within the Partner, Advantage and GTA platforms, and are generally limited to those fund companies that provide SWST marketing service and support fees. As a result, not all mutual funds available to the investing public will be available for investment. However, SWST has selling agreements with over 200 fund companies.

Clients should be aware that mutual funds contain internal expenses which are apart from and in addition to Program Account fees and which are described in the respective funds' prospectuses. Certain funds offered in the Program, while not having sales charges or having sales charges waived, may assess distribution fees, such as those assessed pursuant to SEC Rule 12b-1 of the Investment Company Act of 1940, as amended ("12b-1 Fees") which may be paid to Southwest. Client understands and acknowledges that Southwest will retain any fees, including but not limited to 12b-1 Fees, that are paid by such mutual funds and further acknowledges that any reduction in fees charged to accounts containing any mutual fund is intended to offset any 12b-1 Fee that may be payable by a mutual fund in which Client's Program Account is invested. A portion of these 12b-1 Fees may be paid to the Adviser. Client is referred to the respective mutual fund prospectuses for detailed information about such fees.

As part of its fiduciary duties to clients, SWST endeavors at all times to put the interests of its advisory clients first. Clients should be aware, however, that the receipt of economic benefits by SWST (or its related persons) in and of itself creates a potential conflict of interest.

While certain account minimums are set for each advisory account program, the client's IAR may elect to recommend a program based on his or her understanding of and familiarity with the various services offered within a particular program. Because each advisory program is unique and offers a different bundle of services, the standard advisory fee paid by the client is allocated within the firm differently from one program to another. The compensation received by the IAR may be higher in a particular program relative to another, and this compensation may fluctuate based on certain minimum clearing or retention rates assigned by the IAR's broker/dealer. These clearing and retention rates are a component of, and not in addition to, the overall advisory fee paid by the client, and generally are higher as a percentage of the overall advisory fee paid by the client for smaller accounts. As a result, a IAR may have a disincentive to recommend certain of the aforementioned advisory programs to clients with smaller accounts that otherwise would meet the standard account minimum for each respective advisory program. Therefore, this may cause a conflict to exist with respect to the level of investment diversification a client may achieve.

SWST receives financial remuneration from Knight Capital Markets for certain orders routed and executed at that market center. In addition, certain exchanges offer cash credits for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. There are times when the amount of the credit that SWST receives from one or more of these exchanges exceeds the amount that SWST is charged. Such payment may also constitute payment for order flow

Tailoring of Advisory Programs and Reasonable Restrictions

For all wrap advisory programs sponsored by SWST, you will select the Investment Adviser Representative with whom you wish to work with. Your IAR will assess your prior investment experience, financial goals, time, horizon, risk tolerance and investment objectives to determine the appropriate program for you.

You may request that reasonable restrictions be imposed on the management of your account. Reasonable Instructions generally include the designation of particular securities or types of securities that should not be purchased for your account.

If your restrictions are unreasonable or if we, or your IAR, believe that the restrictions are inappropriate, we may remove your account from the program.

We may liquidate preexisting positions in your portfolio immediately and bring the Account into conformity with your target allocations. If you wish to hold certain positions for tax and investment purposes, you should consider holding these positions in a separate Account.

Account Termination

Client Agreements may be terminated by either party at any time upon written notice. Upon termination, you are responsible for monitoring and managing the securities in your portfolio and you will be subject to customary brokerage charges. Neither SWST, your Investment Adviser Representative nor other outside Investment Managers will have any further obligation to act or advise with respect to those assets.

Any unused portion of the prepaid quarterly fee will be refunded and credited to your account. Such refunds will be pro-rated based on the number of days remaining in the calendar quarter for which you prepaid a fee.

If you choose to terminate your Agreement with any of our investment advisory programs, we can liquidate your account if you instruct us to do so. If so instructed, we will liquidate your account in an orderly and efficient manner. We do not charge for such redemption; however you should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. You should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with your tax advisor.

Account Requirement and Types of Clients

The minimum initial account values for the Programs described in this document are listed below. SWST may terminate Client Accounts with written notices if they fall below minimum Account value guidelines established by the firm. Under certain circumstances, an exception to the minimum account size may be granted.

Program Name	Minimum Account Size
Partner	\$50,000 (\$30,00 if mutual Funds, ETFs and UIT's)
GTA	\$100,000
Advantage	\$30,000
Russell Strategies	\$30,000
Premier Advisors	\$100,000 (Subject to Managers Minimum)

Direct Access	\$100,000 (Subject to Managers Minimum)
Unified Managed Account	\$100,000 (Subject to Managers Minimum)

TYPES OF CLIENTS

SWST generally provides investment advisory services for individuals, individual retirement accounts (“IRAs”), banks and thrift institutions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 (“ERISA”), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

SWST can prohibit anyone or any account type from establishing a Program account for any reason, including if we believe it is not an appropriate investment strategy for you.

Portfolio Manager Selection and Evaluation

A description of how SWST selects and reviews investment managers is included in each program subsection under Services, Fees and Compensation of this document.

Conflicts of Interest

Conflicts of interests can arise with respect to a variety of business and other relationships in almost any investment advisory program. Please refer to the “Other Financial Industry Activities and Affiliations” section under the “Additional Information” heading below for discussion of conflicts of interest relationships and product-specific compensation that is received by SWST.

Performance Based Fees & Side-By-Side Management

SWST does not charge for performance-based fees in any of its managed account programs.

Methods of Analysis and Investment Strategies

The Methods of Analysis used and Investment Strategies in each Program are described in the Section above, Services, Fees and Compensation.

We may use the following investment strategies, as appropriate, when managing client assets:

Long-term Purchases:

Where appropriate, our firm employs a long-term investment strategy when formulating the investment advice given to clients. This entails the purchase of securities with the idea of holding them in the client’s account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

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

Short-term Purchases:

Where appropriate, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and may result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Short Sales:

In addition, we may borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. We then sell the shares we have borrowed. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If the stock has gone down since we purchased the shares from the original owner, the client keeps the difference.

One risk in selling short is that losses are theoretically unlimited; we are obligated to repurchase the stock no matter how much the price has climbed. In addition, even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place. Short selling may not be appropriate in times of inflation, as prices may adjust upwards regardless of the value of the stock.

Margin:

If your account is approved for margin trading, you may be required to deposit additional securities or cash on short notice to maintain your position and/or to maintain sufficient assets to meet firm requirements. If you do not meet requirements in the required time frame, we may liquidate all or a portion of your holdings. You will be liable for any resulting deficit in your Account. Margin trading can work against you as well as for you, for example, larger losses as well as the potential for larger gains. Before you begin using margin, please read the "Margin Disclosure" brochure available from your Investment Adviser Representative. Maintaining a margin account balance will also increase the wrap fee to the extent of the margin exposure.

Options:

Certain types of option trading are permitted in order to generate income or hedge a security held in the Partner Program; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account. Options involve risk and are not suitable for all investors. Clients should read "Characteristics and Risks of Standardized Options" brochure provided by your IAR.

Risk of Loss

You should understand that all investments involve a certain amount of risk. Investment performance can never be predicted or guaranteed and that the values of your accounts will fluctuate due to market conditions and other factors. You should also understand that SWST makes no representations or warranties with respect to the present or future level of risk or volatility in, or the future performance of your account. You should further understand that you are assuming the risks involved with investing in securities and other investment products, and should understand that you could lose all or a portion of the amount held in your account(s).

Below are some of the common risks you should consider prior to investing. This list is not a complete enumeration or explanation of the risks involved and you should also consult with your IAR and your legal/tax advisers before investing in any particular strategy.

- **Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly

involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.

- **Small-Cap Risk.** Historically, small-cap stocks have been riskier than large- and mid-cap stocks. Stock prices of smaller companies may be based in substantial part on future expectations rather than current achievements and may move sharply, especially during market upturns and downturns. Small-cap companies themselves may be more vulnerable to adverse business or economic events than larger, more established companies. During a period when small-cap stocks fall behind other types of investments — large-cap stocks, for instance—a client's small-cap holdings could reduce performance.
- **Fixed Income:** Bonds may "guarantee" return of principal if held to maturity, but any guarantee remains subject to the creditworthiness of the guarantor and, prior to maturity, the bond may be subject to interest rate, inflation and credit risks.
- **International/Global securities** expose the investor to currency risk and political, social and economic risks of the countries in which the securities are domiciled, in addition to the equity or debt nature of the securities involved.
- **Pooled Investments:** Certain strategies may invest in one or more pooled investment funds including mutual funds ETF's, UIT's Real Estate Investment Trusts, etc. You should read the offering documents (e.g., prospectus, offering memorandum, etc.) carefully to fully understand the various risks, investment objectives, expenses and other information about the company associated with the investment.
- **Trading Frequency:** Frequent trading may result in short-term capital gains which are taxed at a higher rate than long term capital gains.

Voting Client Proxies

We do not vote client proxies in the Premier Advisors Program, Direct Access Program, the Advantage Program, GTA Program, Russell Strategies, Unified Managed Accounts or the Partner Program. Under circumstances where the Company receives proxy material on behalf of a client involving any security held in the client's account, the Company will promptly forward such materials to the client's attention. It is the client's responsibility to vote his/her proxy(ies). SWST does not give advice regarding proxy voting; this is the sole responsibility of the shareholder. In the Premier Advisor's Program and Unified Managed Account Program, third party investment managers with discretion may vote the proxy. The client may request information on how their securities were voted by each sub-manager by contacting SWST. SWST will aid any customer to obtain proxy voting information if requested. If such information is not readily available, it may be grounds for termination of the sub-advisor's agreement. Any problems will be immediately referred to the Investment Policy Committee and the CCO of SWST.

Client Information Provided to Portfolio Managers

Information Provided to Envestnet/Envestnet Managers

When you establish a Premier Advisors or Unified Managed Account, we send various information about you and your account to Envestnet (including your name, whether or not your account is taxable, state/country of residence, your Statement of Investment Selection and any applicable restrictions). Upon acceptance of your account, Envestnet will forward the foregoing information on to the Envestnet Manager in order for the Envestnet Manager to effectively manage your account. Model Providers are not provided with Client specific information, except for the brokerage number, account size and information about the Client's IAR. We may also send the Envestnet Manager duplicate brokerage statements and/or confirms.

Information Provided to Direct Access Investment Managers

When you establish a Direct Access Account, we may send various information about you and your account to the Manager/Strategist (including your name, whether or not your account is taxable, state/country of residence, your Statement of Investment Selection and any applicable restrictions). Model Providers are not provided with Client specific information, except for the brokerage number, account size and information about the Client's Advisor. We may also send the Investment Manager duplicates brokerage statements and/or confirms.

Client Contact with Portfolio Managers

Your Investment Adviser representative will be your primary point of contact for addressing any questions or concerns relating to your Managed account. If you are enrolled in a program that employs an unaffiliated third party Investment Manager or Strategist, SWST imposes no limitations on your ability to consult your Investment Manager(s) and/or Portfolio Strategist(s) directly, you are first encouraged to contact your IAR.

Additional Information

Disciplinary Information

Below is notice of certain regulatory and legal settlements entered into by Southwest Securities, etc.

In September 2002, SWST reached a settlement with the NASD for failing to properly handle customer correspondence received from firms for which SWST provides clearing services and failure to establish written procedures regarding trading parameters and transactions executed away from SWST. SWST agreed to a censure and a \$25,000 fine.

In December 2002, SWST reached a settlement with the NASD for failure to report trade information in a timely manner, and inaccurate trade reporting. SWST agreed to a censure and to pay a \$10,000.

In April 2003, SWST reached a settlement with the NASD for failure to obtain the best possible price for customers when executing trades. The firm agreed to a censure, a \$10,000 fine, and to pay \$356.95 in restitution.

In September 2003 SWST reached a settlement with the NYSE for failure to maintain appropriate supervisory procedures with respect to the preserving accurate records regarding floor brokerage activity, and continuing education requirements. The firm agreed to a censure and a \$150,000 fine.

In November 2003 SWST reached a settlement with the SEC for failure to supervise three former brokers activities related to late trading of mutual funds after 4:00 P.M. The firm agreed to a censure, civil penalty of \$8Million and disgorgement of \$2Million.

In January 2004, predecessor firm MLS reached a settlement with the NASD for failure to properly report municipal transactions and inaccurate municipal filings. MLS agreed to pay a fine of \$5,000.

In January 2004, predecessor firm MLS reached a settlement with the NASD for allowing two registered persons to act as registered representatives while ineligible due to a failure to complete continuing education requirements. MLS agreed to pay a fine of \$5,000.

In February 2004 the firm reached a settlement with the NASD for failure to provide firm customers reductions in mutual fund sales charges as allowed by fund prospectus. The firm agreed to a censure, \$36,971 fine, and further agreed to provide written notification to certain mutual fund customers, that they may be entitled to a refund. In addition, the firm agreed to perform an analysis of each mutual fund trade in question and provide refunds to all customers who did not receive the applicable sales charge reduction, and certify to the NASD that the firm has implemented procedures reasonably designed to prevent and detect failures to provide sales charge reductions for customers who are eligible.

In September 2004 SWST reached a settlement with the NYSE for failure to supervise business activities, failure to preserve accurate books and records, executing trades at prices that were not based on the current value, and improperly purchasing or liquidating shares after the close of the market with respect to mutual fund business. The firm agreed to a censure, cease and desist/injunction, \$8 million penalty, and \$2 million disgorgement.

In April 2005, predecessor firm MLS reached a settlement with the NASD for failure to file MSRB Forms G-36 in a timely manner. MLS agreed to pay a fine of \$5,000.

In June 2005, SWST reached a settlement with the NASD for failure to properly maintain quotes on the relevant trading systems. SWST agreed to revise its written procedures to comply with the requirement to properly maintain quotes, and further agreed to a censure and a \$10,000 fine.

In September 2005, an NYSE hearing panel found SWST failed to respond accurately to NYSE requests for trading information, and failed to establish and maintain systems and procedures reasonably designed to comply with industry rules and regulations. The firm consented to a censure and a \$300,000 fine and a requirement to conduct a validation of all required elements of the above referenced NYSE trading information requirements, and to inform the NYSE in writing that the validation has been completed.

In May 2006, SWST reached a settlement agreement with the NYSE permitting employees to engage in the securities business prior to proper registration, failure to obtain written supervisory pre-approval for account designation changes, failure to obtain NYSE approval for supervisory employees who are dually employed, failure to accurately report customer complaints to the NYSE, and failure to exercise reasonable supervision and control when insuring that all branch offices are annually inspected and trade corrections are pre-approved in writing. The firm agreed to a censure and a \$100,000 fine.

In June 2007, SWST reached a settlement with the NASD for failure to properly register trading personnel as principals, and the failure to detect that individuals charged with the supervision of trading desk activity were not properly registered as supervisors/principals. In addition, the NASD alleged that SWST submitted inaccurate quarterly trading information, and failed to file certain trading activity reports, failed to properly report trades, executed trades at prices that were inferior than those in the prevailing market, and did not have policies and procedures in place reasonably designed to achieve compliance with applicable securities rules and regulations concerning trade reporting. The firm agreed to a censure, \$160,000 fine and to revise policies and procedures regarding the above reference alleged failures within 30 business days.

In September 2007, SWST reached a settlement with FINRA for failure to make timely MSRB filings related to municipal underwriting. The firm agreed to a \$5,000 fine.

In May 2008, SWST reached a settlement with FINRA for failure to preserve accurate order records for 3 years, failure to obtain the best possible price for customers when executing orders, and failure to report trades in a timely and accurate manner through the appropriate reporting systems. FINRA alleged that the firm's supervisory systems were not reasonably designed to achieve compliance with the applicable rules and regulations. The firm agreed to a censure, and a \$67,500 fine.

In February 2011, SWST reached a settlement with FINRA for the alleged conduct of ML Stern prior to its acquisition by SWST. FINRA alleges that ML Stern bought or sold securities from customers at prices that were not considered fair given the current market conditions. The firm agreed to a censure, \$12,500 fine, and \$1,846 restitution plus interest.

In March 2011, SWST reached a settlement with FINRA for the payment to individuals not associated with the firm to solicit municipal securities business and failure to make municipal filings in a timely manner in violation of MSRB rules. The firm agreed to a censure, \$10,000 fine, and to certify within 60 days that new systems and procedures have been established that are reasonably designed to comply with applicable rules and regulations.

In March 2011, SWST reached a settlement with FINRA for failure to establish and enforce systems and procedures designed to achieve adequate due diligence and risk assessments of the firm's clearing services business. FINRA alleged that these failures allowed the firm to establish a relationship with an introducing firm for which SWST was to provide clearing services without performing proper due diligence and risk assessment initially, and on an

ongoing basis. In addition, FINRA alleges that the firm failed to properly respond to alerts indicating that the introducing firm had exceeded trading thresholds resulting in an unsecured loss to SWST in the amount of \$6.3 million. The firm agreed to a censure, administrative fine of \$650,000 and to certify in writing to FINRA that SWST had designated a risk management officer to oversee systems and procedures in the correspondent clearing business, that the firm has revised its procedure in a manner that is reasonably designed to achieve compliance with the rules and regulations.

In April 2011, SWST reached a settlement with FINRA for failure to take the appropriate steps to eliminate security deficits related to stock loan activities. FINRA further alleged that the firm failed to properly document the steps taken by SWST to resolve the deficits. The firm agreed to a censure and a \$50,000 fine.

In January 2012, SWST reached a settlement with FINRA after allegations were made that the firm bought or sold securities from customers at prices that were not considered fair given the current market conditions. The firm agreed to a censure, \$38,000.00 fine and \$19,655.36 restitution plus interest.

In May 2012, SWST received a Notice of Hearing from the state of Illinois after allegations were made that the firm failed to properly respond to a subpoena issued by the state. This matter is currently pending and under review by the firm.

Other Financial Industry Activities and Affiliations

SWS Group, Inc. ("SWS") through its subsidiaries operates through multiple segments: Clearing, Retail, Institutional, and Banking. The principal business of the principal executive officers is managing SWS Group, Inc., Southwest Securities, Inc. (a registered broker/dealer) and other affiliates. SWS Group, Inc., is the parent and is a publicly owned company. Active subsidiaries for SWS Group, Inc. include the following:

- Southwest Securities, Inc.
- SWS Financial Services, Inc.
- Southwest Insurance Agency, Inc.
- Southwest Financial Insurance Agency, Inc.
- Southwest Insurance Agency, Inc of Alabama, Inc.
- Southwest Securities, FSB
- Southwest Capital Corp

Southwest Securities, Inc. ("SWST"), is the principal and wholly owned subsidiary of SWS Group, Inc., a publicly owned company. As such, SWST is affiliated with SWS Financial Services, Inc. ("SWSFS"), a fully disclosed broker-dealer and Investment Adviser; Southwest Securities, FSB, a bank; and Southwest Insurance Agency ("SWIA"). We will earn commission-based compensation for selling insurance type products, such as life, disability, long term-care insurance, fixed and variable annuities. In addition, IARs may also be licensed and operate as insurance agents, and may receive commission-based compensation for the sale of these types of products. Insurance commissions earned by IARs from the sale of these products are separate and in addition to our advisory fees. Therefore, the sale of insurance and annuity products presents a conflict of interest because IARs who are insurance agents may have an incentive to recommend insurance and annuity products to you for the purpose of generating commissions. You are under no obligation to purchase products or services recommended by us or members of our firm in connection with any advisory service that we offer.

SWST has arrangements with SWSFS which are material to its advisory business. SWST and SWSFS are affiliated due to their common ownership by SWS Group, Inc. SWST is the sponsor of the Premier Advisor program. SWSFS offers the Premier program to clients via a "co-advisory" arrangement it has with SWST. For all programs sponsored by SWSFS, SWST retains a portion of the program fee for performing administrative services (such as reporting, record keeping and fee billing administration). The portion of the program fee retained by SWST generally ranges between 0.10% - 0.35% (annual rate) of the account value of each program.

A portion of SWST fee will be paid to SWST IARs in connection with the introduction of accounts as well as providing client related services within this program. Such compensation may be more than the representative would receive if clients participated in other programs or paid separately for investment advice, brokerage and other services and, therefore, the representatives may have a financial incentive to recommend the advisory programs over other services.

Southwest Securities, FSB (SWSFSB) is a member of SWS Group Inc. which wholly owns SWST. SWST has entered into an agreement with Southwest Securities Bank for Brokered deposit services. SWSFSB may pay certain marketing & administrative fees to SWST, in exchange for marketing money market funds to certain SWST' clients.

Registration as a Broker Dealer

SWST, a full service broker dealer and investment adviser, provides fully disclosed securities clearing, securities brokerage and investment banking, with investment advisory services representing less than 5% of the overall business activity of the firm. As a registered broker dealer, SWST is a member of Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). As an introducing broker, SWST engages in retail securities transactions for investment advisory and non-investment advisory clients, along with certain other activities normally associated with a broker dealer. In this capacity, SWST may receive certain fees and commissions, including a share of commissions for effecting client transactions. Any such fees are separate to the advisory fees a client pays us for the provision of investment advisory services.

IARs are also associated with SWST as registered representatives ("RRs"). IARs may recommend the purchase of securities offered by our firm as a securities broker dealer. If a client purchases these products through these individuals as RR in regular brokerage account, they will receive normal commissions, including 12b-1 fees for the sale of investment company products, which may be separate to the advisory fees you pay. As such, IARs may have incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Therefore, a conflict of interest may exist between their interests and your interests. While our security sales are reviewed for suitability by an appointed supervisor, a client should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented. Please be aware that you are under no obligation to purchase products or services recommended by us or members of our firm in connection with providing you with any advisory service that we offer.

Relationships with Other Investment Advisers

In addition to the "co-advisory" relationship has with its affiliate SWSFS, SWST may act as a co-advisor and or provide certain services to certain fully-disclosed firms that clear their transactions through SWST.

Code of Ethics

We have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. Our Code of Ethics is designed to ensure that we meet our fiduciary obligations to you and to foster a culture of compliance throughout our firm.

Our Code of Ethics is comprehensive and is designed to help us detect and prevent violations of securities laws and to help ensure that we keep your interests first at all times. We distribute our Code of Ethics to each supervised person at SWST at the time of his or her initial affiliation with our firm; we make sure it remains available to each supervised person for as long as he or she remains associated with our firm; and we ensure that updates to our Code of Ethics are communicated to each supervised person as changes are made. Our Code of Ethics asserts that all supervised persons have a fiduciary responsibility to clients and they must always adhere to federal securities laws. The Code also covers client confidentiality, gifts, undue influence in personal securities transactions and use

of client or company assets to benefit one personally. Additionally, the Code mandates monitoring, review, reporting and sanctions for violations of the Code of Ethics. SWST will provide a copy of the Code of Ethics to any client or prospective client upon request.

Review of Accounts

Program Services include periodic reviews and monitoring of your Account by your IAR. In addition, monthly and/or quarterly reviews are conducted by the Investment Management Group (IMG) for conformity to established asset allocation strategies. In addition, for Clients of IARs registered through SWST, trading activity is reviewed on a daily basis by the Branch Manager, Office of Supervisory Jurisdiction (OSJ), or designee assigned to the IAR. Other reviews as deemed appropriate may be conducted by the Branch Manager or OSJ designee. IARs registered through SWST conduct reviews on at least an annual basis, which can provide an opportunity for the Client to update SWST with any material changes in their financial condition and/or investment constraints.

Client Reports

SWST will provide you with a quarterly performance review. We use our best efforts to ensure timely delivery of these reports, but reserve the right to delay delivery to ensure accuracy and completeness.

Client Referral and Other Compensation

SWST may pay referral fees to persons for referring advisory business to SWST pursuant to Rule 206 (4)-3 of the Investment Advisers Act. Such fees may only be paid to persons with whom SWST has entered into formal referral agreements. SWST also requires that a referral fee disclosure statement be given to clients (or prospective clients) that discloses, among other things, the amount of fee to be paid to the referring person and the fact that the payment of such referral fees has not increased the amount of the total advisory fee that a client (or prospective client) will pay.

Brokerage Practices

SWST renders investment advice to its clients on a nondiscretionary and discretionary basis, pursuant to client's advisory agreement. In SWST's advisory programs you will generally appoint SWST as sole and exclusive broker for execution transactions, this relationship is referred to as directed brokerage. SWST will also be a clearing firm and custodian of your account. Through directed brokerage, SWST may have benefits where it requires a client to utilize the services of an affiliated broker/custodian. The directed brokerage relationship can create a conflict of interest as programs implemented through the affiliated broker dealers may pay commissions and/or transaction charges that are higher or lower than at other broker dealers. By using SWST as the broker dealer, clients may not always receive best execution on account transactions, which may cost clients more money. This directed brokerage agreement is reflected in the client's advisory agreement and the wrap disclosure documents for each program. Not all investment advisers who are dually registered as broker dealers or who have affiliated broker dealers require their clients to use the adviser's broker dealer to execute transactions.

Sub-managers in the Premier Advisers and the Unified Managed Account program may cause trades to be executed by broker-dealers other than with SWST if the Investment Manager reasonably determines in good faith that using another broker-dealer is likely to result in better execution than if the trades were executed by SWST.

Securities transactions in client accounts participating in the SWST programs are generally effected on a "net" basis (i.e. without commissions), and a portion of the wrap fee is generally paid for advisory services provided. Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by SWST as the broker/custodian (as opposed to transaction-based fees such as commissions), and those fees are generally included in the Program Fee for a client. To the extent that such fees are not included in the Program Fee, the client

will be so informed in writing. Please refer to Fees and Compensation section for details regarding fee arrangements.

Participation or Interest in Client Transactions

SWST and its officers, directors, shareholders, employees and affiliates may buy or sell securities for themselves that it also recommends to clients. SWST receives duplicate confirms for all trades conducted by SWST personnel, and reviews them for potential conflicts of interests.

SWST, as a broker/dealer, may act as an agent or, where permitted by law, principal (including instances wherein we are an underwriter or selling group member). Even though we may be permitted by contract or by law to do so, as a matter of policy, we generally do not execute principal trades or agency cross transactions in our advisory programs. Although in some instances, we may be able to provide a more favorable market price to you if we participate in principal trade or an agency cross transaction with client accounts, we do so only when consistent with our obligations to provide best execution, due to regulatory requirements when executing such transactions. Therefore, you will not have access to new issues or syndicate offerings in these accounts. You may make such purchases in a retail brokerage account, and you should be aware that they will be subject to the customary fees and compensations charged in such accounts.

In case-by-case exceptions, in which SWST enters into principal trades or agency cross transactions, we will provide specific disclosures and obtain your consent. If the transaction is a principal transaction in which SWST is a market maker in the security, we provide you with disclosure regarding the capacity in which we are acting, and obtain your consent before completing such transaction. We rely on codes and restrictions in our systems as well as additional software to prevent non-permissible principal trades. In some instances, SWST does not act as an investment advisor (according to Section 206(3) of the Investment Adviser Act of 1940) with respect to an advisory program transaction if the transaction is directed to SWST by a nonrelated portfolio manager, to whom the client has granted discretionary trading authority and SWST does not recommend, select or play a role, direct or indirect, in the portfolio manager's selection of particular securities to be purchased for, or on behalf of, program clients. SWST has implemented systems and procedures that are designed to comply with the policy stated above and to monitor related activities.

SWST may also affect cross-transactions between client accounts, where one client purchases a security held by another client. Neither SWST nor any related party receives any compensation in connection with a cross-transaction. We effect these transactions only when we deem the transaction to be in best interests of both clients and at prices we have determined to reflect their value.

Client should understand that, to the extent permitted by applicable law, SWST may, in transactions involving Client's securities, act as agent while also representing another client of SWST on the other side of the transaction (provided, however, that no such agency transaction will be effected for the Program Account(s) of any ERISA Plan or an individual retirement account ("Agency Cross-Transaction").

If the transaction is an agency cross transaction, in which we act as your broker or agent by purchasing or selling securities from or to one of our brokerage customers, we obtain your written consent and will provide you with a written confirmation at or before the completion of the transaction. The confirmation will describe the nature of the transaction, plus information about its date and time, and the remuneration that the Investment Adviser or another person may receive as a result. At least annually, we will provide you a written disclosure statement identifying the total number of such agency cross transactions for your account during the period, and the total amount of all commissions or other remuneration we received or will receive in connection with these transactions, if any.

We generally will not effect agency cross transactions between clients if we have recommended the security to both clients. Such Agency Cross-Transactions may have a potential of conflicting division of loyalty and responsibility regarding, both parties to the Agency Cross Transaction. Such transactions are generally limited brokerage (non-advisory) clients only unless specific consent by the client has been granted to the transaction in

accordance with regulatory requirements. SWST may have a financial interest for securities or investment products that the Firm's investment Adviser representatives recommend to advisory clients. In certain cases, the products may only be used with restrictions within the advisory programs.

Principal trades and agency cross transactions are also subject to additional restrictions, procedures and controls that are in place for the securities transactions in advisory accounts. As discussed more fully below, we seek to obtain the best execution for each of our advisory clients.

Order aggregation & Block Orders

In order to seek a more advantageous net price, it is our practice to aggregate, when feasible, orders for purchase or sale of a particular security for accounts of several program clients for execution as a single transaction. Any benefit to such aggregation generally is allocated pro-rata among the client accounts that participated in the aggregated transaction.

SWST or the sub-managers may but are not required to aggregate orders for client accounts with the orders of other clients, their own accounts, their employees and their related persons. In such cases, the transactions, as well as the expenses incurred in the transactions are allocated according to SWST or the applicable sub-manager's policy in a manner believed by it to be equitable to the client. In such cases, each account will be charged with the average price per unit, and where applicable, with brokerage costs and other fees.

Sub-managers participating in the Premier Advisors, Unified Managed Account Program or Direct Access Program may determine that the purchase or sale of a particular security is appropriate for more than one client account. In such cases, the sub-manager may decide to aggregate multiple client orders into one "block" order for execution purposes. This can have the advantage of avoiding an adverse effect on the price of a security which can result from simultaneously placing a number of separate competing orders. In the event a block transaction is effected by a sub-manager, the client will receive the average price of all transactions effected to satisfy the order.

As a result, the average price received by the client may be higher or lower than the price at which the client may have received had the transaction been effected for the client independently from the block transaction. When aggregating orders, and in the process of allocating block purchases and block sales to individual client accounts, it is SWST's policy to treat all clients fairly and to achieve an equitable distribution of aggregated orders. Sub-managers participating in the SWST program may also participate in other wrap fee programs sponsored by broker/dealers not affiliated with SWST. In addition, sub-manager typically manages institutional accounts not referred through a directed brokerage, wrap fee program. In the event a sub-manager wishes to buy or sell a security for all accounts within a particular discipline, the sub-manager may have to potentially effect such transactions through a large number of broker/dealers. Depending on the liquidity of the security and the size of the transaction, among other factors, certain sub-managers may utilize a trade rotation process where one group of clients (i.e. SWST clients) may have a transaction effected before or after another group of the sub-manager's clients so as to limit the market impact of the transaction. A sub-manager's trade rotation policies are at their discretion, typically utilize a random selection process and are intended to equitably allocate transactions over time across the sub-manager's entire client base so that each group of clients can expect to receive executions at the beginning, middle and the end of the rotation. Additional information regarding the sub-manager's trade rotation policies, if any, is available in the sub-manager's Form ADV Part 2.

Client Directed Brokerage

Clients of SWST must be aware that if they direct SWST or its IAR's to use a particular broker that it may limit the Applicant or its IAR's the ability to achieve best execution, negotiate commissions with other brokers on behalf of the client, or limit the client's participation in block trading. As a result, the cost of the programs may be significantly greater than if the services were to be unbundled and purchased separately. In addition, in this circumstance, SWST will not have authority to negotiate commissions, obtain volume discounts and best execution may not be achieved.

Custody and Valuation

Generally, SWST will maintain custody of assets in your Account. When we act as custodian we will provide you with an account statement in any month in which there is trading or other activity in your account, or if there is no trading activity, not less than on a quarterly basis.

Financial Information

SWST has not been the subject of a bankruptcy petition at any time in its existence. Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered.