

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page



## DOUCET ASSET MANAGEMENT, LLC

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This brochure provides information about the qualifications and business practices of Doucet Asset Management, LLC. It is prepared pursuant to regulatory requirements. If you have any questions about the contents of this brochure, please contact us at the phone number or website listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Doucet Asset Management, LLC is a registered investment adviser with the SEC under the Investment Advisers Act of 1940 (the "Advisers Act"). However, such registration does not imply a certain level of skill or training. Additional information about Doucet Asset Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Dated: March 20, 2012**

## Item 2 Material Changes

This Form ADV, Part 2, also known as the “Brochure”, requires disclosure on distinct topics, and answers must be presented in the order of the items in the form, using the headings in the form. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

After the initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

### **Summary of Material Changes:**

Item 4- Updated Assets Under Management.

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## Item 4 Advisory Business

### INTRODUCTION

Doucet Asset Management, LLC is a Registered Investment Advisory firm registered with the U.S. Securities and Exchange Commission (SEC) since August 16, 2006. We are noticed filed in Louisiana, Texas and our home state of Alabama which means we are registered to do business in these states. We may conduct business in other states by claiming an exemption from registration. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide you, including this Brochure, is information you can use to evaluate us and other advisers, which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship. This Brochure provides information about our qualifications and business practices.

### OWNERSHIP

Doucet Asset Management, LLC is a wholly owned subsidiary of Doucet Capital, LLC. Christopher L. Doucet, CEO and Chief Compliance Officer, and Suzette A. Doucet, CFO are the members and owners of Doucet Capital, LLC.

### ADVISORY SERVICES OFFERED

We manage accounts on a discretionary basis. These services include, without limitation, management of equity, investment company and other specialty portfolios. Investment advice is provided based on your investment objectives and the particular investment guidelines provided by you.

Our service constitutes an ongoing process by which:

- a) Your investment objectives, constraints and preferences are identified and specified;
- b) Your strategies are developed and implemented through a combination of financial assets;
- c) Capital market conditions and your circumstances are monitored; and
- d) Portfolio adjustments are made as appropriate to reflect significant changes to any or all of the above relevant variables.

### PORTFOLIO MANAGEMENT SERVICES:

We provide portfolio management services on a discretionary and non-discretionary basis. Our portfolio management program is designed to provide you with the appropriate asset allocation, diversification and risk characteristics consistent with prudent portfolio management. We may contract with sub-advisers to provide investment advice or to obtain expertise in specific investment areas.

On a discretionary basis, we design, revise and reallocate a custom portfolio for you. The investments are determined based upon your investment objectives, risk tolerance, net worth, net income, age, investment time horizon, tax situation and other various suitability factors.

On a non-discretionary basis, we provide periodic recommendations to you and if such recommendations are approved, we will ensure that the authorized recommendations are carried out.

Our Portfolio Management Programs described below are offered as part of our discretionary fee-based programs through which we offer you discretionary investment advice, along with brokerage, custodial and administrative services, for a single-asset based fee.

#### Doucet Value Momentum Portfolio

The Doucet Value Momentum Portfolio seeks capital appreciation through a strategy of investing in a portfolio of value-oriented common stocks. We consider these securities to be undervalued based on several factors which may include book value, price-to-earnings ratios, PEG ratios as well as subjective criteria. The portfolio may be invested in securities across all market capitalizations and may concentrate assets in the securities of any market capitalization. The Portfolio may invest in the shares of closed-end funds, exchange-traded funds ("ETFs"), non-US denominated securities, mutual funds and debt instruments (including convertible bonds and bonds below investment grade), preferred securities (including convertible preferred securities), as well as options for hedging purposes. The Portfolio is only appropriate for those seeking aggressive growth due to the volatility of the securities held in the portfolio.

### **Doucet Value Income Portfolio**

The Doucet Value Income Portfolio seeks to achieve a high level of total return through a combination of capital appreciation and current income. The Portfolio has the flexibility to invest in individual equities, in the shares of closed-end funds, ETFs, non-US denominated securities, mutual funds, debt instruments (including convertible bonds and bonds below investment grade), preferred securities (including convertible preferred securities), as well as options for hedging purposes.

### **Fund Allocation Program**

We offer three discretionary, fund allocation portfolios within the Fund Allocation Program. Each portfolio adheres to a specific investment strategy and is designed to meet different investment objectives. You may select from one of the following portfolios in the Fund Allocation Program:

- **Capital Appreciation Portfolio** - This Portfolio seeks long-term capital appreciation.
- **Income Portfolio** - This Portfolio seeks current income and, secondarily, capital preservation.
- **Balanced Portfolio** - This Portfolio seeks reasonable long-term capital appreciation and, secondarily, capital preservation.

To achieve your investment objectives, the three fund allocation portfolios invest in shares of mutual funds, closed-end funds and ETFs. Within each portfolio, fund allocations are determined by us based upon the current investment environment and the portfolio's investment objective. Each portfolio offered through the Fund Allocation Program requires a minimum account value of \$25,000.

### **Separately Managed Account Program**

We offer access to Separately Managed Accounts ("SMA") offered by other registered investment advisory firms. Each manager selected to participate in the SMA program has sole discretion of the accounts placed under their care. These managers are selected based on their ability to meet all or a portion of a client's investment objectives. We utilize quantitative and subjective factors to judge each manager's potential to meet your objectives. The minimum account value for this Program is set by each participating manager.

### **Client Directed Portfolio Account Program**

The client directs the trading of this portfolio based on their personal investment goals and risk tolerance.

### **Doucet One Balanced Portfolio Program:**

The goal for the client is to create a balance of aggressive capital growth, capital preservation and income. The client is willing to tolerate high levels of fluctuation in part their portfolio value for the opportunity to build substantial wealth while maintaining some levels of stability.

Custody of your accounts for both securities and funds will be maintained at Southwest Securities, Inc, the designated custodian and clearing firm for Institutional Securities Corporation (Member FINRA/SIPC).

We do not sponsor or act as a portfolio manager for any wrap fee programs.

### **ASSETS UNDER MANAGEMENT:**

As of December 31, 2011, Doucet Asset Management, LLC has approximately \$13,536,052 in discretionary assets under management. We do not have any non discretionary assets under management at this time.

## Item 5 Fees and Compensation

### Assets Under Management- Portfolio Management Program Fee Schedule:

#### DOUCET VALUE MOMENTUM PORTFOLIO FEE SCHEDULE:

<u>Assets Under Management</u>	<u>Minimum Fee</u>	<u>Maximum Fee</u>
First \$250,000	0.875%	2.50%
Next \$750,000	0.875%	2.00%
Next \$1,000,000	0.875%	1.50%
Over \$2,000,000	Negotiable	Negotiable

#### DOUCET VALUE INCOME PORTFOLIO FEE SCHEDULE:

<u>Assets Under Management</u>	<u>Minimum Fee</u>	<u>Maximum Fee</u>
First \$250,000	0.750%	2.00%
Next \$750,000	0.750%	1.50%
Next \$1,000,000	0.625%	1.25%
Over \$2,000,000	Negotiable	Negotiable

#### FUND ALLOCATION PROGRAM FEE SCHEDULE:

<u>Assets Under Management</u>	<u>Minimum Fee</u>	<u>Maximum Fee</u>
First \$100,000	1.00%	2.50%
Next \$150,000	1.00%	2.00%
Next \$250,000	0.75%	1.50%
Over \$500,000	Negotiable	Negotiable

#### SEPARATELY MANAGEMENT ACCOUNT PROGRAM FEE SCHEDULE:

<u>Assets Under Management</u>	<u>Minimum Fee</u>	<u>Maximum Fee</u>
First \$250,000	1.00%	2.50%
Next \$750,000	1.00%	2.00%
Next \$1,000,000	0.80%	1.50%
Over \$2,000,000	Negotiable	Negotiable

#### CLIENT DIRECTED PORTFOLIO PROGRAM FEE SCHEDULE:

<u>Assets Under Management</u>	<u>Minimum Fee</u>	<u>Maximum Fee</u>
First \$100,000	1.00%	2.50%
Next \$150,000	1.00%	2.00%
Next \$250,000	0.75%	1.50%
Over \$500,000	Negotiable	Negotiable

#### DOUCET ONE BALANCED PORTFOLIO PROGRAM FEE SCHEDULE:

<u>Assets Under Management</u>	<u>Minimum Fee</u>	<u>Maximum Fee</u>
First \$500,000	1.00%	2.00%
Next \$1,000,000	0.75%	1.50%
Next \$2,500,000	0.75%	1.50%
Over \$5,000,000	Negotiable	Negotiable

Our account minimums and fees charged are negotiable in situations where your portfolio size begins outside our published fee brackets or in other situations deemed appropriate by us in our sole discretion.

Portfolio Management fees for each program listed above will be directly deducted from your account at the custodian quarterly in advance from your account(s) within thirty (30) days following the end of the quarter. The Program Fee is covers all investment advisory services provided or made available by us pursuant to your Agreement and brokerage, custodial and administrative services provided by the Custodian.

Our fees are based on the percentages listed in the Fee Schedule on account market values based on the first business day of each calendar quarter. Fees are calculated by multiplying the assets under management market value by the relevant percent and dividing such product by four (4). Fees for the initial quarter will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the Agreement goes into effect.

Fees will be directly deducted from your account at the custodian quarterly in advance from your accounts within thirty (30) days following the end of the quarter. We will send the qualified custodian written notice of the amount of the fee to be deducted from your account.

We and/or the custodian shall provide written notice/invoice documentation reasonably supporting the determination of the investment advisor fees. The Custodian will send to you a quarterly Account statement that shows the amount of our advisory fee, the value of your assets upon which the fee was based, and the specific manner in which the fee was calculated. We will verify that the Custodian sends Account statements on a quarterly basis.

You should compare invoices for advisory fees to the corresponding custodian statement. Statements should be received from the custodian no less than quarterly. If statements are not received, contact us immediately.

#### **Termination**

A pro- rata refund of any prepaid Program Fee will be made if the Agreement is terminated within a billing period.

It is understood that the Agreement may be terminated at any time, by either party immediately upon receipt of written notice from one party to the other. In the case that we receive written notice of the termination of the Agreement, we to the best of our ability will fulfill any specific instructions in the written notice. If no specific instructions are given we shall honor our basic fiduciary responsibility to preserve capital.

The agreement shall remain in full force and effect until expressly revoked as provided in the Agreement. The Agreement may not be assigned or sold by us to any other party without the prior written consent of you.

#### **ERISA Accounts, Profit Sharing 401(k), SEP's:**

We may also have other retirement accounts which are subject to ERISA rules and regulations. In all cases an "eligible investment advice arrangement" or advisory agreement will be executed with the Client. We will be considered a "fiduciary advisor" and will charge fees to the retirement account.

#### **Additional Types of Fees or Expenses:**

The Program Fee does not include:

- i. annual account fees or other administrative fees, such as wire fees, charged by the Custodian;
- ii. underwriting or dealer concessions or related compensation in connection with securities acquired in underwritten offerings;
- iii. certain odd-lot differentials, transfer taxes, SEC fees, postage and handling fees, and charges imposed by law with regard to transactions in the Investment Account; and

- iv. advisory fees and expenses of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any are held in the Investment Account.

In addition, the Program Fee does not cover certain costs associated with securities transactions in the over-the-counter market where the Custodian must approach a dealer or market maker to purchase or sell the security. Such costs include a mark-up, markdown or spread and odd lot differentials or transfer taxes imposed by law. The Program Fee also does not include any commissions, mark-ups, mark-downs, or other brokerage or transfer fees incurred in transactions that we may effect through broker-dealers other than the Custodian.

**Other Compensation Received by Advisory Agents:**

Custody of your accounts for both securities and funds will be maintained at Southwest Securities, Inc, the designated custodian and clearing firm for Institutional Securities Corporation (Member FINRA/SIPC). Some of our Advisory Agents are registered representatives of Institutional Securities Corporation. In this capacity, our advisory agents may sell securities through Institutional Securities Corporation and receive normal and customary commissions as a result of such purchases and sales. This presents a conflict of interest to the extent that the advisory agent recommends that you invest in a security which results in a commission being paid to the advisory agent. Neither our Firm nor its advisory agents are affiliates of Southwest Securities, Inc.

Advisory agents of the Firm are also licensed insurance agents for various other insurance companies. If you elect to implement the plan or buy insurance through us or our Advisory agents, then the agents would receive a commission from the insurance sales, which includes life, accident, disability and fixed annuities. This presents a conflict of interest because they will receive a commission for these services, which is separate from the portfolio management, financial planning and other services provided. We have no single agreement with any agency or company, but will seek out the products of any company, agency or brokerage that may have products fitting our client's needs.

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

We do not charge performance based fees nor do we provide side by side management services.

## **Item 7 Types of Clients**

**Client Base:**

Our customer base may consist of individuals; pension and profit sharing plans; trusts, estates, charitable organizations, corporations and other business entities. These are the types of clients that we service, but we may not have all these types as current clients at any one time.

**Conditions for Account Management:**

Our fees are assessed on a per account basis. We have imposed a minimum account value of \$25,000 for the Fund Allocation Program and \$100,000 for the Doucet Value Income Portfolio and the Doucet Value Momentum Portfolio Programs. We may make exception to these minimums from time to time based on individual factors.

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

**Methods of Analysis & Investment Strategies:**

Our security methods or analysis and investment strategies is based on a number of sources including Bloomberg screening tools, internal research and valuation of the company's financials, charting history, understanding price history, publicly available research, company reports available on the Edgar system,



prior press releases, macro research related to the particular sector, conversations with industry experts, conversations with other industry experts, conversations with company management including investment related professionals and fundamental analysis methods.

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

**Investment Strategy:**

We work with you to devise an investment strategy to meet your financial objectives. This includes:

- discussion regarding your objectives
- review of existing holdings
- ongoing analysis of funds
- advice on best direction for new investments
- updates of specific changes within the market or to particular funds
- regular monitoring of recommended investments and yearly review

The flexibility of our strategies gives us the ability to best manage investment risks in any investment market. Our investment strategy utilizes no load mutual funds and individual stocks bonds, ETF's etc. to diversify across asset classes or uncommon strategies utilizing private equity, hedge funds, real estate, structured notes and other alternative categories. Portfolios are rebalanced on a periodic basis.

**Risk of Loss:**

The advice offered by our Firm to clients is determined by the areas of expertise of the agent providing the service and the client's stated objective. Our clients are advised to notify our Firm promptly if there are ever any changes in your financial situation or investment objective or if you wish to impose any reasonable restrictions upon our management services. If you wish to impose any reasonable restrictions upon our management services, you will need to advise us in writing of any restrictions.

We do not represent, warrant, or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. All securities trading, whether in stocks, options, or other investment vehicles, is speculative in nature and involves substantial risk of loss that clients should be prepared to bear. Past performance is not necessarily indicative of future results. Clients should make every effort to understand the risks involved.

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

**General Risks:** Your investments with us are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Accordingly, you may lose money by investing with us. When you sell your investments, they may be worth less than what you paid for them because the value of investments will fluctuate reflecting day-to-day changes in market conditions, interest rates and a number of other factors.

**Allocation Risk:** Our allocation of investments among different asset classes, such as equity or fixed-income assets classes, may have a more significant effect on your returns when one of these classes is performing more poorly than others.

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

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

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

**Special Situation Risk:** We may invest your assets in special situations. Investments in special situations may involve greater risks when compared to other strategies due to a variety of factors.

Expected changes may not occur, or transactions may take longer than originally anticipated, resulting in lower returns than contemplated at the time of investment. Additionally, failure to anticipate changes in the circumstances affecting these types of investments may result in permanent loss of capital, where we may be unable to recoup some or all of its investment.

**Foreign Securities Risk:** We have the ability to invest in foreign securities, and, from time to time, a significant percentage of your assets may be composed of foreign investments. Foreign investments involve greater risk in comparison to domestic investments because foreign companies/securities: may have different auditing, accounting, and financial reporting standards; may not be subject to the same degree of regulation as U.S. companies, and may have less publicly available information than U.S. companies; and are often denominated in a currency other than the U.S. dollar.

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

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

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

**Small- to Medium-Capitalization Risk:** We may invest your assets in small to medium sized companies. Shares of small to medium sized companies may have more volatile share prices. Furthermore, the securities of small to medium companies often have less market liquidity and their share prices can react with more volatility to changes in the general marketplace.

**Junk Bond/High-Yield Security Risk:** We may invest your assets in Junk Bonds or High-Yield, lower rated securities. Investments in fixed-income securities that are rated below Investment grade can be subject to greater risk of loss of principal and interest than investments in higher-rated fixed-income securities. The market for high yield securities may be less liquid than the market for higher-rated securities. High yield securities are also generally considered to be subject to greater market risk than higher-rated securities. The capacity of issuers of high yield securities to pay interest and repay principal is more likely to weaken than is that of issuers of higher-rated securities in times of deteriorating economic conditions or rising interest rates.

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

**Inflation Risk:** This is the risk that the value of your assets or income you're your investments will be less in the future as inflation decreases the value of your money. As inflation increases, the value (purchasing power) of your assets can decline. This risk increases as we invest a greater portion of your assets in fixed-income securities with longer maturities.

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

## Item 9 Disciplinary Information

Our Firm does not have any material facts about legal or disciplinary events that are material to your evaluation of the integrity of our firm or its advisory agents to disclose. Your confidence and trust placed in our Firm and its advisory agents is something we value and endeavor to protect.

## Item 10 Other Financial Industry Activities and Affiliations

### Non-Related Entity Relationships:

#### Institutional Securities Corporation and Southwest Securities, Inc.:

Custody of your accounts for both securities and funds will be maintained at Southwest Securities, Inc, the designated custodian and clearing firm for Institutional Securities Corporation (Member FINRA/SIPC). Some of our advisory agents are registered representatives of Institutional Securities Corporation. In this capacity, our advisory agents may sell securities through Institutional Securities Corporation and receive normal and customary commissions as a result of such purchases and sales. This presents a conflict of interest to the extent that the advisory agent recommends that you invest in a security which results in a commission being paid to the advisory agent. Neither our Firm nor its advisory agents are affiliates of Southwest Securities, Inc.

#### Third Party Managers:

We offer access to Separately Managed Accounts ("SMA") offered by other registered investment advisory firms. Each manager selected to participate in the SMA program has sole discretion of the accounts placed under their care. These managers are selected based on their ability to meet all or a portion of a client's investment objectives. We utilize quantitative and subjective factors to judge each manager's potential to meet the client's objectives.

#### Insurance Companies:

Advisory agents of our Firm are also licensed insurance agents for various other insurance companies. If you elect to implement the plan or buy insurance through us or our Advisory agents, then the agents would receive a commission from the insurance sales, which includes life, accident, disability and fixed annuities. This presents a conflict of interest because they will receive a commission for these services, which is separate from the portfolio management, financial planning and other services provided. We have no single agreement with any agency or company, but will seek out the products of any company, agency or brokerage that may have products fitting our client's needs.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics:**

We have adopted a Code of Ethics Policy to prohibit conflicts of interest from personal trading by our advisory personnel and have established standards of conduct expected of our advisory personnel. We have set forth in the Code of Ethics Policy statements of general principals, required course of conduct, reporting obligations, and review and enforcement of the Code of Ethics Policy. We will provide a copy of the Code of Ethics Policy to our clients or prospective client's upon written request.

### **Participation or Interest in Client Transactions / Personal Trading:**

Our advisory agents are also registered securities representatives of Institutional Securities Corporation (Member FINRA/SIPC), a non-affiliated registered broker-dealer. The advisory agents will receive compensation from Institutional Securities Corporation in connection with security transactions effected for the accounts the advisory agents manage for our firm. Therefore there is a financial incentive to use Institutional Securities Corporation to effect security transactions for the client accounts. In addition, the advisory agent's may receive referral fees and other compensation from investment banking activities in connection with transactions involving issuers of securities held in client accounts. To the extent the advisory agent obtains material, nonpublic information with respect to an issuer of securities held in client accounts, we may be prohibited from acquiring or selling such securities (while in possession of material, nonpublic information) even though we may deem it appropriate to do so.

Our Advisory Agents will buy or sell for themselves securities that they also recommend to you. These investment products will be bought and sold on the same basis as you buy them. We will transact your transactions and business before their own when similar securities are being bought or sold. In all instances, the positions would be so small as to have no impact on the pricing or performance of the security. We will do everything possible to mitigate these conflicts. Records of all advisory associate's proprietary trading activities are reviewed and kept by us. We and our advisory agents will act in a fiduciary manner, understand the prohibitions against the use of any insider information and will always act in your best interest.

## **Item 12 Brokerage Practices**

### **Brokerage Selection:**

Our firm may be granted discretionary authority over your account(s) to determine the securities to be bought or sold, their amounts, the broker to be used and the commissions to be paid, without specific consultation with you as deemed to be in your best interest and to achieve your stated investment objectives.

We generally recommend and select the brokers or dealers to handle securities transactions. We utilize Institutional Securities Corporation (Member FINRA/SIPC), as the broker-dealer for the execution of securities transactions. Custody of your accounts for both securities and funds will be maintained at Southwest Securities, Inc, the designated custodian and clearing firm for Institutional Securities Corporation.

Factors which we consider when recommending Institutional Securities Corporation include their respective financial strength, reputation, execution, pricing, research and service. We understand and acknowledge that at all times we owe a fiduciary duty to you to obtain best execution for your transactions. We believe that our relationship with Institutional Securities Corporation helps us to execute securities transactions for you in such a manner that your total cost in each transaction is as favorable as possible under prevailing market conditions. However, accounts with Institutional Securities Corporation, as a full service broker/dealer, may not obtain best execution at all times. The commissions and/or transactional fees charged by Institutional Securities Corporation to you may be higher or lower than those charged by another broker-dealer.

In addition to a broker's ability to provide the "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to us and, because the "soft dollars" used to acquire them are client assets, we could be considered to have a conflict of interest in allocating your brokerage business: we could receive valuable benefits by selecting a particular broker or dealer to execute your transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation we might otherwise be able to negotiate. In addition, we theoretically could have an incentive to cause you to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

It is our policy to select brokers on the basis of the best combination of cost and execution capability. Subject to its best execution obligations, we intend to use the broker-dealer to effect all or substantially all client securities transactions.

Our firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), we will make a good faith determination that the amount of commission or other fees you pay is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to Fidelity Investments or Schwab is reasonable in relation to the value of all the brokerage and research products and services provided by Fidelity Investments and Schwab. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to you, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge. In some cases, with your consent, we may consider a broker-dealer's provision of non-research products and/or services (i.e., products or services that we do not use in making investment decisions or executing transactions for clients). In such cases, however, the products or services involved are used solely for your benefit in whose account the commissions or other fees are incurred.

Research and Brokerage Products and Services. "Research" products and services we may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to us in the performance of our investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

Other Uses and Products. We may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution) but for our administrative and other purposes as well. In these instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable to making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from your interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the firm must pay directly.

**Mutual Fund Transactions.** Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, we may, consistent with our duty of best execution, determine to cause your accounts to pay transaction fees when purchasing shares of certain no-load mutual funds through Schwab or Fidelity Investments in order to obtain "research". This research may not be used for the exclusive benefit of you if you pay transaction fees in purchasing mutual fund shares.

**Amount and Manner of Payment.** A broker-dealer through which we wish to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate us. The actual level of transactional business we do with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." Where you have authorized us to consider a broker-dealer's provision of services outside the Section 28(e) safe harbor, a broker-dealer may generate "credits" based on transactions effected in the past and allow us to use such "soft dollars" to acquire services and products provided by third parties. We do not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

**Soft Dollar Practices:**

We may utilize brokers providing research and brokerage services to us even though lower commissions may be obtained from brokers not offering such services. We utilize soft dollar arrangements to acquire brokerage and research services that provide lawful and appropriate assistance to us in carrying out our investment decision-making responsibilities. Under these arrangements, we obtain brokerage and research services from a broker in exchange for a specified amount of commissions. We intend for these arrangements to comply with Section 28(e) of the Securities Exchange Act of 1934.

The brokerage services that we may obtain through its soft dollar arrangements include those services related to trade execution and may include post-trade services, such as electronic allocation messages and electronic confirmation and affirmation. The research services that we may obtain through its soft dollar arrangements include advice relating to the value of securities or the advisability of investing in securities or analyses and reports about issuers, securities, economic factors and trends, portfolio strategy and the performance of accounts. We periodically review the brokerage and research products we obtain from brokers and the commissions charged with respect to such products to determine whether the commissions are reasonable in relation to the value of the brokerage and research products.

The benefits derived from a particular broker in return for commission business may be used in serving some or all of our clients. In addition, some research or other benefits may not necessarily be used by us in servicing the clients whose commission dollars provided for the benefit or research.

**Brokerage for Client Referrals:**

Neither our Firm nor our Advisory Agents receive client referrals from a broker dealer or other third party when recommending to you a broker-dealer for the execution of securities transactions.

**Directed Brokerage:**

If you want to direct us to use a particular broker dealer to handle security transactions then you are responsible for the custodian fee arrangement. You should understand that this might prevent us from effectively negotiating brokerage compensation or obtaining the most favorable net price and execution. When directing brokerage business, you should consider whether the commission expenses, execution, clearance and settlement capabilities that you will obtain through another broker dealer are adequately favorable in comparison to those that our Firm would otherwise obtain for you using Institutional Securities Corporation. We do evaluate periodically the execution performance of the brokers-dealers including Institutional Securities Corporation. We encourage you to discuss available alternatives with our advisory agents.

Neither this Firm nor our advisory agents receive any products, research or services other than those disclosed.

**Trade Allocation:**

We allocate securities purchased or sold for our pursuant to our allocation policy. In allocating securities among clients, it is our policy to treat all clients fairly. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may, however, be differences among clients in invested positions and securities held. We will consider the following factors, among others, in allocating securities among clients:

- (i) client investment objectives and strategies;
- (ii) client risk profiles;
- (iii) restrictions placed on a client's portfolio by client or by applicable law;
- (iv) size of client account;
- (v) nature and liquidity of the security to be allocated;
- (vi) size of available position;
- (vii) current market conditions; and
- (viii) account liquidity, account requirements for liquidity and timing of cash flows.

These factors may lead us to allocate securities to clients in varying amounts. Even accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities. Securities made available to us and its clients through initial public offerings and limited offerings will be allocated pursuant to the Adviser's allocation policy after a determination by us of those clients eligible to hold such securities.

In order to meet a target allocation established for a particular management style/strategy, it may be appropriate for us to "block" orders for the purchase or sale of securities for client accounts managed in accordance with the same management style. When investment decisions are made and a target allocation is established for a management style/strategy, we enter orders for accounts managed in that style. We may enter orders to meet the full target allocation immediately or may meet the allocation through moves in incremental blocks. The placement of orders necessary to meet a target allocation may span the course of several days. We allocate securities to client accounts participating in the target allocation in accordance with an alphabetical list of participating accounts. For the particular target allocation, the first client account on the list will receive its full, designated allocation of securities prior to the second client account on the list receiving its full, designated allocation of securities. All participating accounts that receive their full, designated allocation in a trading day receive the same execution price, an average share price, for securities purchased or sold on that trading day.

Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day, and participating accounts that receive their full, designated allocation of securities on such day will receive the new daily average price. Upon establishing a new target allocation for another security in the same management style/strategy, we will allocate securities in the reverse order in which securities were allocated in the prior target allocation.

Employee accounts (including accounts of an employee's immediate family members (e.g., spouse, children, parents, siblings) with the same management style will be allocated securities after all client accounts have received their full, designated allocations.

Notwithstanding the foregoing, orders may be allocated on a basis different from that specified above, if the reason for the different allocation is explained in writing and approved by designated advisory agent no later than the close of trading on the day on which the order was executed.

We may from time to time effect cross trades between client accounts. This may include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. Cross trades will be effected either by trading the security in the open market or by a direct transfer between client accounts. In either

case, a cross trade will be effected at the independent market price of the security subject to the trade. Cross trades between client accounts are not permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as brokers *unless* client consent has been obtained. Cross trades will not be conducted for client accounts subject to ERISA.

### Item 13 Review of Accounts

The advisory agents conduct reviews on regular and periodic basis of the most significant holdings of all accounts. These holdings are monitored in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. If a decision is made to purchase or sell with respect to such holding, each account holding such security is reviewed prior to selling or purchasing the security for such account. In addition, accounts are either reviewed periodically from the standpoint of specific investment objectives of the client or as particular situations may dictate.

Each client receives a broker's confirmation of each security transaction. At the end of each month (quarterly in the case of no account activity), you will receive a broker's statement detailing all cash and security transactions for the period and the cash balance and securities market values held by the broker. As of the end of each calendar quarter, you will receive from us a report of invested assets and transactions that occurred during the quarter.

### Item 14 Client Referrals and Other Compensation

**Client Referrals:**

We do not have any arrangements for client referrals.

**Other Compensation:**

No other compensation is received other than what is already disclosed.

### Item 15 Custody

Under government regulations, we are deemed to have custody of your assets since you authorize us to instruct your custodian to deduct our advisory fees directly from your account. We do not maintain physical custody of your accounts nor are we authorized to hold or receive any stock, bond or other security or investment certificate or cash that is part of your account. Your funds and securities will be physically maintained with a "qualified custodian" as required under Rule 206(4)-2 under the Adviser.

Custody of your accounts for both securities and funds will be maintained at Southwest Securities, Inc, the designated custodian and clearing firm for Institutional Securities Corporation (Member FINRA/SIPC).

Account statements are sent quarterly from the custodian and you should carefully review those statements including comparison to any reports we may send to you.



## **Item 16 Investment Discretion**

Unless otherwise negotiated, you have granted our Firm sole and absolute discretion in the management of your portfolio and periodic re-balancing to the asset class target percentages as outlined in the Clients Advisory Agreement except with respect to payment of the Firm's Fees. In the exercise of its authority we are fully authorized and empowered to place orders to brokers, dealers, mutual funds, or other persons with respect to the purchase, sale, exchange, disposition or liquidation of any assets held in your portfolio

We have limited authority to sell or redeem securities holdings in sufficient amounts to pay advisory fees. You may reimburse the portfolio for Advisory Fees paid to us.

## **Item 17 Voting Client Securities**

We shall vote proxies related to securities held by any client in a manner solely in the interest of the client. We shall consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Proxy votes generally will be cast against proposals having the opposite effect. In voting on each and every issue, our Firm and its employees shall vote in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot. Clients can direct us to vote proxies in a certain manner either in writing, email or telephone. Clients may request information on how we voted proxies by contacting us anytime during the three months after the voting deadline occurs. Clients may obtain a copy of the Procedures and information about how the Adviser voted a client's proxies by contacting Chris Doucet by email at [cdoucet@doucetcapital.com](mailto:cdoucet@doucetcapital.com) or by telephone at (205) 414-9788.

## **Item 18 Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We do not have any financial condition that is reasonably likely to impair the ability to meet contractual commitments to you.

## **Item 19 Requirements for State Registered Advisers**

Not applicable, we are an SEC registered investment adviser.