



**SENDERO WEALTH MANAGEMENT, LLC**

7373 BROADWAY STREET, SUITE 501

SAN ANTONIO, TEXAS 78209

(210) 805-0171

[www.sendero.com](http://www.sendero.com)

March 30, 2012

This Brochure provides information about the qualifications and business practices of Sendero Wealth Management, LLC ["Sendero"]. If you have any questions about the contents of this Brochure, please contact us at [support@sendero.com](mailto:support@sendero.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 30, 2012 is an updated document prepared according to the SEC’s new requirements and rules and replaces our previous Brochure dated March 31, 2011.

Our last ADV Part II was updated 3/31/2011. Changes that have been made in our updated ADV II effective March 30, 2012 is in the following section of Item 5: Fees and Compensation:

Both our Standard Wrap and Standard Non-Wrap Advisory Fee schedules have been updated.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our Brochure may be requested by contacting Lisa Kahn-Smith, Chief Compliance Officer at 210.805.1180 or lkahn-smith@sendero.com. Our Brochure is also available on our web site [www.sendero.com](http://www.sendero.com).

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

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#### **Item 4 – Advisory Business**

Sendero is an independent registered investment advisory firm offering broker/dealer services through Sendero Securities, LLC, Member FINRA/SIPC, an affiliated entity. Fred Middleton started the Redstone Consulting Group within PaineWebber in 1995. In 2000, his team of investment professionals became the San Antonio affiliate of Redstone Consulting, a division of Redstone Companies, L.P., based in Houston.

Focused on responsibly growing the wealth of high net worth families, endowments and charitable organizations, the San Antonio office flourished. Coupled with the growth of Redstone's other divisions, the benefits of the partnership diminished and the result was a friendly separation and spinoff of the entire San Antonio office which became Sendero Wealth Management, LLC on January 1, 2008.

The firm is owned by the employees with Fred Middleton and Scott McMillian as the principal shareholders. Sendero uses Sendero Securities, LLC as our broker/dealer affiliate which clears through J.P. Morgan Clearing Corp. This facilitates a uniform environment for money managers selected by Sendero to trade on behalf of our clients.

We provide both wrap fee and non-wrap fee programs for clients. Portfolios in both programs are managed in similar fashion. In wrap fee portfolios, Sendero collects an asset-based “wrap” fee and pays all trading costs and investment management fees for third-party managers. Clients with non-wrap fee portfolios pay Sendero an advisory fee and are charged trading costs and investment management fees directly.

All portfolios managed by Sendero are managed on a non-discretionary basis. Sendero will make investment recommendations for these accounts, but the client must approve the recommendations before they are applied to the portfolio. As of February 29, 2012, Sendero had \$0 in discretionary assets under management and \$1,839,709,013 in non-discretionary assets under management.

#### **OUR SERVICES**

Sendero offers customized investment strategies to help our clients preserve and grow their wealth responsibly. Our advisory services include asset allocation, manager selection and sophisticated investment oversight for clients with \$5 million or more in liquid assets. We develop and implement investment strategies based on a client’s entire financial situation, not just their managed assets. We use an open architecture manager selection process to provide a truly unbiased selection of both traditional and alternative investment managers. We do not create,

manage or sell our own products. We are a privately-owned, independent firm with deep family values and a passion for personalized service.

Sendero provides non-discretionary investment supervisory and management services to its clients regarding the allocation of their assets among cash, stocks, bonds and other investments to meet their stated investment objectives. Sendero assists each of its clients in defining their investment objectives, and, based upon such investment objectives, formulates an asset allocation plan and identifies investment managers (“Portfolio Managers”) and investment funds (“Portfolio Funds”) with whom and in which clients may invest their assets to meet their stated investment objectives.

Sendero has selected certain portfolio managers (“Portfolio Managers”) and/or certain specific investment strategies offered by certain Portfolio Managers (“Strategies”) for inclusion in Sendero Institutional Investment Management Services (“SIIMS”). Clients participating in SIIMS select Portfolio Managers to manage their accounts, and generally also select a specific Strategy of each Portfolio Manager selected. Each Portfolio Manager available through SIIMS has entered into a contract with Sendero to manage client accounts in SIIMS.

Sendero intends for its investment management platform to afford clients access to professional portfolio management typically afforded to large institutional clients through Portfolio Managers that Sendero has reviewed and found worthy of investment for its clients. Clients with sufficient assets can utilize Sendero’s separately managed account platform (SMA), pursuant to which a Portfolio Manager directly manages the assets in a client’s account, permitting the client to establish investment restrictions, as well as achieve a level of tax planning typically unavailable outside of a separately managed account platform. Where an SMA is not appropriate, Sendero has identified Portfolio Funds to assist its clients with meeting their stated investment objectives. In addition to the initial due diligence, Sendero conducts searches aimed at identifying Portfolio Managers and Portfolio Funds for investment by its clients. Sendero periodically monitors the performance of such Portfolio Managers and Portfolio Funds, and reports these results, as well as any change in views Sendero may have about such Portfolio Managers and Portfolio Funds, to its clients.

Sendero’s investment management services may include, without limitation, any one or more of the following services:

- Assistance with the review, evaluation and/or formulation of investment objectives and policies, and assistance with the development of one or more asset allocation strategies based upon the information provided by Sendero’s clients;
- Assistance with the selection of Portfolio Managers and Portfolio Funds to manage all or a portion of a client’s assets in a manner consistent with the client’s financial circumstances,

investment objectives, risk tolerance and any restrictions that the client wishes to impose on the management of the client's account;

- The provision of ongoing monitoring (due diligence) of the Portfolio Managers and Portfolio Funds with whom a client's assets have been invested, as well as ongoing and continuous recommendations regarding the retention or termination of such Portfolio Managers or Portfolio Funds in light of the client's investment objectives; and/or
- The provision of ongoing performance reporting with respect to the client's assets, as well as such other reporting as may be mutually agreed upon by the client and Sendero.

From time to time Sendero may also furnish advice to clients about equity, fixed income and other securities in connection with a client's decision to purchase a security. Fees for the provision of this type of investment advice are separately negotiated for each client.

### **Consulting Services**

Clients may request that Sendero: (i) assist them in the review, evaluation and/or formulation of their investment objectives and policies; and/or (ii) help them develop one or more asset allocations for the assets designated for SIIMS ("SIIMS Assets") based on the information they provide to Sendero. Clients are solely responsible for making all decisions regarding the adoption and implementation of any investment objectives and policies and/or any asset allocation. If a client adopts an asset allocation, the actual asset allocation may change over time due to fluctuations in the market value of the SIIMS Assets and/or additions to or withdrawals by the client. In addition, a change in the client information provided to Sendero or other circumstances may warrant a change to a client's investment objectives, policies or allocation of the SIIMS Assets. Each client is solely responsible for monitoring their investment objectives and policies, including whether the management of the SIIMS Assets conforms to those investment objectives and policies. Each client is further responsible for monitoring any asset allocation on an ongoing basis and determining whether to rebalance and/or reallocate the SIIMS Assets. Unless specifically agreed to by Sendero, Sendero will not be obligated to review, update, rebalance or provide any other ongoing advice with regard to any asset allocation or a client's investment objectives or policies.

### **Portfolio Managers and Strategies**

Clients will select one or more Portfolio Manager(s) to direct the investment and reinvestment of the SIIMS Assets and will designate and retain each selected Portfolio Manager as set forth on a schedule to the Client Agreement. Clients also typically select particular Strategies. The selection of the Portfolio Manager (and Strategy, if applicable) is the sole responsibility of the client, subject to the acceptance of the client by the selected Portfolio Manager. Sendero will assist clients in opening one or more brokerage accounts for trading by each Portfolio Manager selected. Clients will execute brokerage account documentation required by the Broker-Dealer to open the account. The minimum amount of assets required to open an account in SIIMS is generally \$5,000,000. As

part of the Client Agreement, clients will grant each selected Portfolio Manager complete and sole discretionary trading authorization over the applicable account(s) and authorize each Portfolio Manager to act on the client's behalf in all other matters necessary or incidental to the handling of the SIIMS Assets. The fee charged by the Portfolio Manager may or may not be included in the fee paid to Sendero (see the section entitled "*The SIIMS Fee*" below). Sendero will notify each Portfolio Manager of the client's selection of the Portfolio Manager (and Strategy, if applicable) and will give Portfolio Manager(s) information about the client, including any of the information described in Section 1 above.

Clients may impose restrictions on the investments in their accounts, as long as the applicable Portfolio Manager deems the restrictions to be reasonable. Any restrictions a client imposes on the management of an account may cause a Portfolio Manager to deviate from investment decisions it would otherwise make in managing the account. Unless a client imposes restrictions on the management of an account, it is likely that the Portfolio Manager will manage the account in a manner very similar to that of other clients with similar investment objectives and risk tolerances.

Clients will receive each Portfolio Manager's Form ADV, Part II or an equivalent disclosure document (each, a "Portfolio Manager Disclosure Document"). Clients should review the Portfolio Manager Disclosure Document carefully for important information about the Portfolio Manager, including risks associated with the selected Strategy (if applicable). Each Portfolio Manager is solely responsible for the truthfulness, completeness, and accuracy of its Portfolio Manager Disclosure Document.

Sendero is not responsible for the performance of any Portfolio Manager under SIIMS or any Portfolio Manager's compliance with applicable laws or regulations or other matters within the Portfolio Manager's control. Each Portfolio Manager is solely responsible for the management of that Portfolio Manager's designated account(s). If a client selects more than one Portfolio Manager, the Portfolio Managers may engage in contrary transactions with respect to the same security. Sendero shall not be responsible for the management of any account, including the conformity of the management of any account to any information provided by clients. Transactions for an account will only be effected if and to the extent instructed by a Portfolio Manager. Without limiting the generality of the foregoing, Sendero shall not be responsible for any act or omission of any Portfolio Manager or any misstatement or omission contained in any document prepared by or with the approval of any Portfolio Manager, or any loss, liability, claim, damage, or expense, whatsoever, as incurred, arising out of or attributable to such misstatement or omission. Notwithstanding the foregoing, clients shall be entitled to any rights that they may have under the Investment Advisers Act of 1940, as amended, any other federal or state securities laws, or the Employee Retirement Income Security Act of 1974, as amended, and a client's participation

in SIIMS shall not limit its ability to file any claim in arbitration or limit the ability of arbitrators to make any award.

### **Portfolio Managers available through SIIMS**

Upon request, Sendero will identify and present clients with one or more Strategies that are suitable for the SIIMS Assets based upon the information provided to Sendero by the client. Sendero will identify only Strategies that are available through SIIMS. Clients are solely responsible for selecting and retaining the Portfolio Managers of the selected Strategies.

Sendero will provide an ongoing review of Portfolio Managers available through SIIMS. Sendero monitors Portfolio Managers on an ongoing basis to determine whether they will continue to meet the investment needs of SIIMS clients. This review generally includes reviewing the Portfolio Manager's organization, investment process, service, and performance with respect to the applicable Strategy or Strategies. Changes in the Portfolio Manager's organization, investment process, service, and performance are monitored via regular meetings with the Portfolio Manager's staff and quarterly communication. Sendero may contract with one or more third parties to perform initial and ongoing review of Portfolio Managers (each, a "Review Vendor") and/or perform such reviews itself. A Review Vendor may also make recommendations to Sendero about which Portfolio Managers to include in SIIMS. Unless otherwise expressly agreed upon, the fees and expenses associated with the use of any Review Vendor will be borne by Sendero or another party, and not by any client. A Review Vendor may also have a conflict of interest in assisting Sendero in reviewing Portfolio Managers and/or making recommendations to Sendero about which Portfolio Managers to include in the programs because the Review Vendor, or its affiliates, may provide auditing or other services to Portfolio Managers or their affiliates. More detailed information about any Review Vendor and potential conflicts of interest, if applicable, are available upon request.

Sendero's decision to include a Strategy or Portfolio Manager in SIIMS is based upon the totality of the results of the review process and does not necessarily reflect a rigid application of any or all of the guidelines described. Sendero may remove a Strategy or Portfolio Manager from SIIMS at any time and will notify clients that have selected that Strategy or Portfolio Manager.

### **Strategies and Portfolio Managers Not Available Through SIIMS**

Sendero may choose to include a particular Strategy or Strategies of a particular Portfolio Manager in SIIMS, but not include all of the Portfolio Manager's Strategies. Thus, even though one particular Strategy is available through SIIMS, not all of that Portfolio Manager's Strategies will necessarily be available.

In certain limited circumstances, a client may be permitted to maintain, in SIIMS, assets with a Portfolio Manager or a Strategy that has not been selected by Sendero for inclusion in SIIMS (a "non-participating Portfolio Manager/Strategy"). Sendero may have access to or may collect information about the non-participating Portfolio Manager/Strategy, which may be negative or reflect poorly on the non-participating Portfolio Manager/Strategy; however, Sendero has no obligation to share any such information with the client, and Sendero will not perform regular



reviews of the non-participating Portfolio Manager/Strategy. Sendero's sole obligation shall be to include the performance of the non-participating Portfolio Manager/Strategy in the client's quarterly review reports.

### **Execution**

In the Client Agreement, clients generally authorize and direct each selected Portfolio Manager to effect transactions for the account(s) directly through the Broker-Dealer, subject to the Portfolio Manager's duty to seek best execution. Because the fee paid under SIIMS (as described in the section entitled "*The SIIMS Fee*" below) covers transactions for the purchase or sale of securities and other investments only when executed through the Broker-Dealer, transactions ordinarily will be effected through the Broker-Dealer. All transactions are subject to Sendero's and the Broker-Dealer's internal policies or procedures. In no event is Sendero or the Broker-Dealer obligated to effect any transaction for the account(s) that Sendero or the Broker-Dealer believes would violate applicable federal or state laws or the regulations of any regulatory or self-regulatory body or would otherwise present an unacceptable risk to Sendero or the Broker-Dealer.

When a transaction is executed through another broker/dealer other than Sendero Securities, LLC, clients may incur a transaction fee, commission, and/or other charges that will be in addition to the fee charged by Sendero. The other broker or dealer shall be entirely responsible for the execution and clearance of these transactions. For more information about the factors that a Portfolio Manager considers in determining which broker or dealer to execute transactions through, please see the applicable Portfolio Manager Disclosure Document.

### **Organization of Wealth**

Sendero provides the facilities and expertise to sort through the complexities of investing large pools of assets. We gather data on all client assets and present a clear, easy to understand analysis of total wealth.

### **Strategic Asset Allocation**

Sendero uses a holistic view of wealth combined with an investment policy directive from the client to gain important insight into the most appropriate combination of assets for achieving a "stay wealthy" portfolio with minimal risk. Portfolios usually include traditional equity and fixed income securities combined with non-correlated asset class investments such as absolute return funds, alternative investments, real estate, and private equity.

### **Open Architecture Portfolio Manager Selection**

Sendero is an independent firm offering a truly unbiased selection of portfolio managers. Our proprietary process combines quantitative and qualitative analysis to identify traditional and alternative investment managers with strategies that are most appropriate for each client's investment strategy.

**Expert Oversight**

Clients need access to their assets and we take pride in making this easy while staying true to the client's ideal investment strategy. We leverage sophisticated analysis and creative investment techniques to delicately balance a long-term, tax sensitive discipline with the immediate cash flow needs of each relationship.

**Ongoing Manager Due Diligence**

We continually monitor the managers we select for our clients: reviewing daily trading activity, scrutinizing performance relative to appropriate benchmarks and similar investment managers on a monthly basis, and updating manager strategy and research quarterly. We also conduct annual on-site due diligence meetings with key personnel to review all aspects of the manager's organization.

**Investment Advocates**

We provide intelligent counsel for most investment situations, recommending prudent and responsibly priced services and products for each client. When appropriate, we facilitate access to specialists for services beyond our scope of expertise. We consider it our duty to identify the most appropriate solution for any investment decision impacting our clients.

**Item 5 – Fees and Compensation**

All fees are subject to negotiation.

The specific manner in which fees are charged by Sendero is established in a client's written agreement with Sendero. Sendero will generally bill its fees on a quarterly basis. Clients are billed in advance each calendar quarter. Some non-wrap accounts may be billed in arrears depending on prior arrangements. Clients may also elect to be billed directly for fees or to authorize our clearing firm to directly debit fees from client accounts. Management fees may be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on Sendero's sub-advisory agreement with each individual manager. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

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

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

Clients may choose between a single asset-based fee for Sendero's services, a Wrap Fee program, or pay for each service individually, a Non-Wrap Fee program.

When the client chooses to pay a Wrap Fee for the services provided by Sendero and the Portfolio Managers as described in the Client Agreement, each managed account will be charged a single, asset-based fee (the "Wrap Fee") each calendar quarter in advance. Each non-managed account covered by the Client Agreement, not managed by a third party money manager, and where trades are directed by the client will not be charged a Wrap Fee but will be charged commission on trades in the account. Commissions will vary with the quantity and type of security purchased and will have a minimum of \$35 dollars a trade. The maximum Wrap Fee on managed accounts, expressed as an annual rate, that may be charged to clients is set forth in the following schedule:

#### Wrap-Fee Schedule

Sendero Standard Wrap Fee Schedule applied to all Account(s) collectively*		
Aggregate Managed Assets Portfolio Value	Marginal Annual Fee Percentage	
	Equity	Fixed Income
On the first \$5,000,000	2.50%	1.20%
On the next \$5,000,000	2.35%	1.20%
On the next \$15,000,000	2.20%	1.20%
On the next \$25,000,000	2.00%	1.20%
Assets over \$50,000,000	1.90%	1.20%

*\*not including certain costs that may be imposed by the Broker-Dealer or third parties, such as SEC fees, margin interest, odd-lot differentials, wire transfer fees, postage fees, and other fees or taxes required by law*

When the Client chooses a Non-Wrap Fee, each managed account will be charged the following fees: a) consulting fee by Sendero, b) management fee by the portfolio manager, c) trading and custody fees by the Broker Dealer, d) custody fees by the custodian if different from the Broker Dealer, and e) Trust fees in the case of a trust. Each non-managed account covered by the Client Agreement, not managed by a third party money manager, and where trades are directed by the client, will not be charged a consulting or management fee but will be charged commission on trades in the account. Commissions will vary with the quantity and type of security purchased and will have a minimum of \$35 dollars a trade. The maximum consulting fee charged on managed accounts, expressed as an annual rate, that may be charged to clients is set forth in the following schedule:

## Non-Wrap Advisory Fee Schedule

Sendero MAXIMUM Non-Wrap Fee Schedule applied to all Account(s) collectively*	
Aggregate Managed Assets Portfolio Value	Marginal Annual Fee
On the first \$ 5,000,000	0.95%
On the next \$ 5,000,000	0.80%
On the next \$ 15,000,000	0.65%
On the next \$ 25,000,000	0.45%
Assets over \$ 50,000,000	0.35%

*\*not including certain costs that may be imposed by the Broker-Dealer or third parties, such as SEC fees, margin interest, odd-lot differentials, wire transfer fees, postage fees, and other fees or taxes required by law*

The rate used each quarter for both the Wrap Fee and the Non-Wrap Fee will be one-fourth of the annual rate. Accounts will be subject to any minimum fee specified in the Client Agreement. The fee will be payable quarterly in advance. The initial fee (“Initial Fee”) will be calculated as of the date the Client Agreement is accepted by Sendero (the “Commencement Date”). The Initial Fee will cover the period from the Commencement Date until the last day of the initial calendar quarter. The Initial Fee will be calculated proportionately with respect to the number of days in the initial billing period, and will be based on the market value of the SIIMS Assets on the Commencement Date. Thereafter, the quarterly fee will be calculated based on the market value of the SIIMS Assets as of the last day of the preceding calendar quarter. The quarterly fee will become due on the first business day of the following calendar quarter, and will be deducted from the account shortly thereafter.

The Wrap Fee covers Sendero’s investment consulting services, the Portfolio Manager’s asset management services, the custody and execution of transactions through the Broker-Dealer, and reporting as described in this brochure. The portion of the Wrap Fee paid to Portfolio Managers generally ranges from 0.30% to 1.50% depending on the asset class traded and/or strategy employed by the Portfolio Manager. The Wrap Fee does not cover brokerage commissions or other charges resulting from transactions not effected through our clearing firm, and does not cover certain costs or charges that may be imposed by other Broker-Dealers, including margin interest, costs associated with exchanging foreign currencies, odd-lot differentials, Securities and Exchange Commission (“SEC”) fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Wrap Fee does not cover “mark-ups” and “mark-downs” that other broker-dealers may receive or “dealer spreads” that the Broker-Dealer or other broker-dealers may receive when acting as principal in certain transactions. The Wrap Fee does not cover the annual fee that the Custodian charges for IRA accounts or certain other retirement plans.

For clients choosing Non-Wrap Fee, advisory fee covers Sendero’s investment consulting services and reporting as described in this brochure. No other charges are covered by the Non-Wrap fee including the Portfolio Manager’s asset management services, the custody and execution of transactions through the Broker-Dealer. The Non-Wrap Fee does not cover certain costs or charges that may be imposed by the Broker-Dealer, including margin interest, costs associated with exchanging foreign currencies, odd-lot differentials, Securities and Exchange Commission (“SEC”)

fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Non-Wrap Fee does not cover “mark-ups” and “mark-downs” that other broker-dealers may receive or “dealer spreads” that the Broker-Dealer or other broker-dealers may receive when acting as principal in certain transactions.

If a client selects a Portfolio Manager that is not available through SIIMS, that client will not receive the full range of consulting services described in this brochure with respect to that Portfolio Manager. Sendero is not responsible for reviewing Portfolio Managers that are not in SIIMS or for communicating any information about those Portfolio Managers to any client. Clients will pay the full Advisory Fee to Sendero with respect to assets invested with Portfolio Managers not in the SIIMS program, even though a client does not receive from Sendero all of the services that the client would receive with respect to Portfolio Managers in SIIMS.

Clients generally may make additions into an account at any time, subject to Sendero’s right to terminate the account. Additions may be in cash or marketable securities of any kind, provided that Sendero and the applicable Portfolio Manager reserve the right to decline to accept particular securities into an account. Sendero may accept other types of investments for deposit in its sole discretion. Clients generally may withdraw SIIMS Assets upon ten (10) days’ written notice to Sendero, subject to usual and customary securities settlement procedures. A pro-rated fee may be charged on contributions to cover the period of time from the date of deposit until the last calendar day of the calendar quarter. Similarly, a pro-rated fee reduction may be made on withdrawals from an account during a billing period, to reflect the period of time from the date of withdrawal until the end of the billing period.

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

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

## **Item 7 – Types of Clients**

Sendero provides investment advisory and brokerage services to select high net worth individuals, families, endowments and charitable organizations.

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

### **DESIGNING THE RIGHT MIX**

First, we become familiar with the client's entire scope of assets. Then we blend investments that diversify exposure and reduce the volatility of returns. We typically complement the core portfolio with appropriate non-correlated asset class investments. Every Sendero client has a different

combination of assets, investment goals and risk/return thresholds — we embrace this and customize each portfolio.

#### **SELECT MANAGERS THAT PLAY WELL TOGETHER**

We focus on small- to mid-tier managers with significant portions of their personal wealth invested in their strategy. We start with historical returns and portfolio characteristics and move quickly to

a more personal understanding of the people behind the data. We select managers based on their track record as well as their passion and clear vision of how to add value to their investment style. We then combine them with other managers that complement their security selection.

#### **ALWAYS PERFECTING THE STRATEGY**

We are an advocate for each client, focused on the investment environment and how it will impact the investment strategy. We then provide recommendations that position our clients to protect their wealth and grow it responsibly in all market conditions.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Investing in securities involves risk of loss that clients should be prepared to bear.

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

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

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

Scott McMillian and Fred Middleton are the managing members and, as such, manage the investment advisory activities of Sendero. Such activities are estimated to utilize approximately seventy-five (75%) percent of their time. However, they are also registered representatives of the Broker Dealer. Such activities are estimated to utilize approximately twenty-five (25%) percent of

their time. Likewise, Lisa Kahn-Smith, Thomas Carter, Tara Maxwell, Kate Hall, Brenda Allen, Edward Hart and Amaury Conti are all registered representatives of the Broker Dealer. These representatives average approximately 65% of their time to Sendero's investment advisory services with activities as a registered representative of Sendero Securities, LLC utilizing the remaining 35% of their time. In their separate capacities as registered representatives, these individuals are able to effect securities transactions for advisory clients, for which these individuals may receive separate and additional compensation. Clients, however, are not under any obligation to engage these individuals when considering the purchase/sale of securities.

## **ADDITIONAL COMPENSATION**

### **Mutual Funds Charges**

To the extent mutual funds are selected by Sendero to fill components of a client's overall investment strategy, Sendero endeavors to purchase such mutual fund shares at net asset value or no load. To the extent Sendero is successful in doing so, its clients will not be subject to any initial distribution cost (front-end sales charge) or redemption fee (back-end sales charge), if any, that might normally be incurred upon the purchase or sale of shares of mutual fund shares. However, Sendero or its managing members may receive Rule 12b-1 or shareholder servicing fees from the issuers of such mutual funds, and this will be in addition to any other compensation payable to Sendero described herein.

### **Cash and Money Market Funds**

Certain money market, municipal money market and government money market funds in which such client's assets are invested may pay the Broker Dealer, in its capacity as broker-dealer, a distribution fee. The Broker Dealer may also receive additional compensation based on client account balances being held in cash. Cash balances may arise from the sale of securities, redemption of debt securities, dividend and interest payments, and funds received from clients. Such compensation will be in addition to any other compensation payable to the Broker Dealer described herein. And in turn, the Broker Dealer may pay the managing members of Sendero these compensation amounts.

### **Margin**

The Broker Dealer may receive compensation based upon the margin (debt) balances maintained in such client's account. Margin (debt) balances may arise when a client or Portfolio Manager elects to purchase securities in excess of the cash balances available in the account to do so. Margin (debt) balances may also arise if a client elects to withdraw (borrow) money from their account, using the securities therein as collateral. And in turn, the Broker Dealer may pay the managing members of Sendero these compensation amounts.

## Referral Arrangements

Sendero has, and from time to time may, recommend to their clients investments with investment managers, or in investment funds, with which Sendero has established a referral relationship through the Broker Dealer. Such referral relationships result in the receipt by the Broker Dealer from such investment managers or investment funds of a portion of the fees earned by such investment managers, or investment funds, in connection with the investment made by the referred client. It is important to note that the fees payable to the Broker Dealer in connection with such referral relationships are not payable by Sendero's clients (either directly or indirectly from their investment with such investment managers or in such investment funds), but rather are payable out of the fees earned by such investment managers and investment funds. If a client invests their assets with an investment manager or in an investment fund from whom the Broker Dealer receives a referral fee, the client will either (x) not be charged a fee in connection with such investment, or (y) receive a credit against fees payable to the Broker Dealer or Sendero in the amount of compensation the Broker Dealer or Sendero receives in connection with such investment, in each case for as long as Sendero continues to provide investment advisory services to such client in connection with such investment. Prior to making an investment with an investment manager, or in an investment fund, from which Sendero receives a referral fee, each client will be furnished with a disclosure statement consistent with Rule 206(4)-3(b) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Clients should be aware that the receipt of additional compensation by Sendero and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Sendero endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- Sendero discloses to clients the existence of all material conflicts of interest, including the potential for Sendero and our employees to earn compensation from advisory clients in addition to advisory fees;
- Sendero discloses to clients that they are not obligated to purchase recommended investment products from employees or Related Companies;
- Sendero collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Sendero management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- Sendero requires that its employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;



- Sendero periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by Sendero; and
- Sendero educates our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **Item 11 – Code of Ethics**

Sendero has adopted a Code of Ethics for each employee of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at Sendero must acknowledge the terms of the Code of Ethics annually, or as amended.

Sendero anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Sendero has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Sendero, its affiliates and/or clients, directly or indirectly, have a position of interest. Sendero's employees and persons associated with Sendero are required to follow Sendero's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Sendero and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Sendero's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Sendero will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Sendero's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, to reasonably prevent conflicts of interest between Sendero and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Sendero's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Sendero will retain records of the trade order (specifying each participating account)

and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Sendero's clients or prospective clients may obtain a copy of the firm's Code of Ethics at [www.sendero.com](http://www.sendero.com).

It is Sendero's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Sendero will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Sendero does not have any soft dollar arrangements.

### **Investment or Brokerage Discretion**

Sendero does not have any type of arrangements with other broker/dealers that would provide us with any type of products or services in exchange for trade execution.

Sendero may consider a number of factors in recommending other brokers/dealers to its clients, including, for example, transaction costs, price, clearance, settlement, ease of execution and integration with existing Sendero systems, systems for monitoring client investments and regulatory compliance, reputation, financial strength and stability. Sendero may, and expects to, recommend that its clients utilize Sendero Securities, LLC (the "Broker Dealer") brokerage services, in its capacity as a broker-dealer with whom managing members of Sendero are affiliated as registered representatives. Sendero Securities, LLC is co-owned by Fred Middleton and Scott McMillian. As a result, managing members of Sendero may receive compensation in connection with the brokerage services the Broker Dealer provides to advisory clients in addition to any advisory fees it may receive from such client.

For both Sendero Wrap Program and Non-Wrap accounts that utilize Portfolio Managers, the Portfolio Manager has the ability to execute transactions away from the Broker-Dealer, When a

transaction is executed through a broker or dealer other than Sendero Securities, LLC, clients may incur a transaction fee, commission, and/or other charges that will be in addition to the fee charged by Sendero. The other broker or dealer shall be entirely responsible for the execution and clearance of these transactions.

### **Item 13 – Review of Accounts**

Assets for which Sendero is providing investment advisory services, unless otherwise specified by the client, are monitored on a systematic basis and are reviewed quarterly by a principal or other person designated by the firm to ensure that investment advice is consistent with the client's stated investment objectives. Notwithstanding the above, more active accounts and larger accounts may be reviewed on a more frequent basis.

The nature and frequency of reports to clients are determined primarily by their particular needs. Generally, clients are issued reports at least quarterly, which are intended to demonstrate the performance of account assets as well as provide an asset holding summary and contribution/withdrawals for the relevant period. Clients will also receive brokerage transaction confirmations and monthly and/or quarterly account statements from the custodians of their assets.

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

If a solicitor introduces a client to Sendero, Sendero may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and the rules set forth by the respective state jurisdictions. Any such referral fee shall be paid solely from the fees earned by Sendero hereunder, and shall not result in any additional charge to the client. If the client is introduced to Sendero by a solicitor, the solicitor shall provide the client with a copy of this Form ADV Part II and a copy of the disclosure statement containing the information set forth in Rule 206(4)-3(b) of the Advisers Act.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Sendero urges you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Sendero does not have custody of any client's assets.

### **Item 16 – Investment Discretion**

Sendero does not receive discretionary authority from our clients to purchase or sell securities within a client portfolio.

When making recommendations to clients for their approval in non-discretionary portfolios, Sendero observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions are provided to Sendero in writing.

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

Sendero will not take any action or render any advice to any client or any account under our SIIMS agreement with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held.. Clients generally delegate discretion to voting such proxies to Portfolio Managers. The manner in which a specific Portfolio Manager addresses conflicts related to proxy voting is set forth in that Portfolio Manager's individual proxy voting procedures, which will be provided upon request to clients who select the Portfolio Manager. The Custodian or the Broker-Dealer will forward to the client, or any person designated by the client, any proxy materials that they receive pertaining to securities held in the account(s). Clients may contact Sendero in the event they wish to know how their proxies were voted by the applicable Portfolio Manager on their behalf.

Neither Sendero nor any Portfolio Manager shall render any advice or take any action on behalf of clients with respect to securities or other investments held in any account, or the issuers thereof, that become the subject of any legal proceedings, including bankruptcies. Clients retain the right and obligation to take such legal action relating to the securities held in their account(s).

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Sendero's financial condition. Sendero has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding.

FORM ADV PART 2B  
BROCHURE SUPPLEMENT



7373 Broadway Street, Suite 501  
San Antonio, Texas 78209  
210.805.0171  
[www.sendero.com](http://www.sendero.com)

**March 30, 2012**

This brochure supplement provides information about the following supervised persons and supplements our firm brochure. You should have received a copy of that brochure. Please contact our chief compliance officer at 210.805.0171 if you did not receive our firm brochure or if you have any questions about the contents of this supplement. A current version of this document and of the firm brochure is available at [www.sendero.com](http://www.sendero.com).

Additional information about the following supervised persons is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov):

Scott R. McMillian, CPA, CFP, Chief Executive Officer  
Fred W. Middleton, Chairman  
Thomas A. Carter, CFA, CPA, Chief Financial Officer  
Lisa Kahn-Smith, Chief Compliance Officer  
Tara D. Maxwell, Managing Director, Client Service & Human Resources  
Kate K. Hall, CIMA, Managing Director, Investment Strategy  
Jeffrey B. Clark, Jr., CFP, Managing Director, Investment Advisor  
Edward A. Hart, Managing Director, Investment Advisor  
Michael E. Miller, CFA, CAIA, Investment Advisor  
Fred H. Falls, CPA, Investment Advisor  
Brenda D. Allen, Registered Operations Associate

Scott R. McMillian, CPA, CFP®  
*Chief Executive Officer*

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

Scott is Chief Executive Officer, founding partner of Sendero Wealth Management and a member of the Sendero Investment Committee. He began his career in 1990 with Arthur Andersen's Personal Financial Planning group, a team dedicated to servicing high net worth individuals and families. In 1998, Scott joined Fred Middleton at PaineWebber, which became Redstone Consulting – San Antonio in 2000. In 2008, Scott led the transition of that office to Sendero Wealth Management and became Chief Executive Officer. He graduated with a BBA and MS from Texas A&M University and enjoys endurance mountain biking and spending time outdoors with his wife, Elizabeth, and their two teenagers. Scott is a licensed CPA and a Certified Financial Planner.

**CERTIFIED PUBLIC ACCOUNTANT (CPA)** CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own.

**The CERTIFIED FINANCIAL PLANNER™ (CFP®)** certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients. CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

To learn more about the CFP certification, visit [www.cfp.net](http://www.cfp.net).

### **Item 3 – Disciplinary Information**

Mr. McMillian has not been the subject of any legal or disciplinary events that are material.

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

Mr. McMillian is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Mr. McMillian does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services. As a limited partner of Sendero Wealth Management and Sendero Securities, Mr. McMillian may receive distributions from Sendero Wealth Management and Sendero Securities with respect to his ownership interest.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Mr. McMillian's trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).



**Fred W. Middleton**  
*Chairman*

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

Fred is Chairman, founding partner of Sendero Wealth Management and a member of the Sendero Investment Committee. He has over 40 years' experience in the securities industry working with wealthy families and institutions. He started his career at Rotan Mosle, eventually managing the trading desk and serving on the Board of Directors at this prestigious, Texas-based firm. In 1995, after Rotan Mosle was acquired by Paine Webber, he started Redstone Consulting – San Antonio and then transitioned the firm out of Paine Webber in 2000. Redstone Consulting – San Antonio eventually became Sendero Wealth Management in 2008. Throughout all the name changes, Fred's vision for the firm has always been to provide responsible investment advice to high net worth friends, families, and charitable organizations. Fred is the founder of the Texas Cavalier Charitable Foundation and served for three years on the District Business Conduct Committee of the National Association of Securities Dealers (now known as FINRA), including one year as Chairman. He is a Business School graduate of the University of Texas at Austin and an avid fly fisherman and outdoorsman.

**Item 3 – Disciplinary Information**

Mr. Middleton has not been the subject of any legal or disciplinary events that are material.

**Item 4 – Other Business Activities**

Mr. Middleton is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Mr. Middleton does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services. As a limited partner of Sendero Wealth Management and Sendero Securities, Mr. Middleton may receive distributions from Sendero Wealth Management and Sendero Securities with respect to his ownership interest.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Mr. Middleton's trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).

**Thomas A. Carter, CPA, CFA**  
*Chief Financial Officer*

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

Tommy serves as Chief Financial Officer for Sendero Wealth Management and a member of the Sendero Investment Committee. Working at USAA from 1986 to 2001, Tommy worked in a number of accounting positions at the USAA Investment Management Company and completed his tenure as an Equity Securities Analyst picking stocks for the USAA Mutual Funds. He joined Redstone Consulting – San Antonio in 2001 – helping the firm grow into an autonomous business unit and eventually transitioning that office into Sendero Wealth Management in 2008. Tommy has a BBA in Economics & Finance from Texas Tech University and an MBA in Accounting from St. Mary's University. Outside of work, Tommy enjoys gardening, water skiing, and relaxing with his family at the lake. He is a licensed CPA and is a CFA Charter holder.

**CERTIFIED PUBLIC ACCOUNTANT (CPA)** is a voluntary certification; no federal or state law or regulation requires financial planners to hold CPA certification. CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own. To learn more about the CPA certification, visit [www.aicpa.org](http://www.aicpa.org).

The **CHARTERED FINANCIAL ANALYST (CFA)** charter is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFA certification. It is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute – the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 135 countries.

To attain the right to use the CFA marks, an individual must satisfactorily fulfill the following requirements:

- pass three sequential, six-hour examinations
- have at least four years of qualified professional investment experience
- join CFA Institute as a member
- commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct

Ethics - The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Global Recognition - Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment. Additionally, regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

Comprehensive and Current Knowledge -The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

### **Item 3 – Disciplinary Information**

Mr. Carter has not been the subject of any legal or disciplinary events that are material.

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

Mr. Carter is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Mr. Carter does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Mr. Carter's trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).

**Lisa Kahn-Smith**  
*Chief Compliance Officer*

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

Lisa serves as Chief Compliance Officer and Managing Director of Operations. She is responsible for Investment Advisory/Broker Dealer compliance efforts and all day-to-day areas of operations. She has worked in the securities industry with Fred Middleton for more than 30 years. She started with Fred in 1978 at Rotan Mosle which was acquired by Paine Webber. Lisa helped Fred launch Redstone Consulting – San Antonio within Paine Webber in 1995. She also helped him transition the firm away from Paine Webber in 2000 and coordinated the launch of Sendero Wealth Management in 2008. She enjoys traveling with her husband, David, and spending time with her four grandchildren.

**Item 3 – Disciplinary Information**

Ms. Kahn-Smith has not been the subject of any legal or disciplinary events that are material.

**Item 4 – Other Business Activities**

Ms. Kahn-Smith is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Ms. Kahn-Smith does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Ms. Kahn-Smith's trading records and correspondence are reviewed periodically by the firm's Supervisory Principal, Scott McMillian. A client who wishes to communicate concerns or questions about their account may contact Scott McMillian at 210.805.0171 or [smcmillian@sendero.com](mailto:smcmillian@sendero.com).

**Tara D. Maxwell**

***Managing Director, Client Service & Human Resources***

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

Tara is Managing Director of Client Service & Human Resources. She began her investment career in 1998 when she joined PaineWebber, which later became Redstone Consulting – San Antonio in 2000. Tara was a key member in the transition of that office to Sendero Wealth Management in 2008. Prior to joining Redstone Consulting – San Antonio, Tara managed a Real Estate Appraisal firm. Tara studied elementary education at Southwestern Oklahoma State University and has worked as a licensed real estate consultant. She enjoys coordinating Sendero's annual employee charitable giving program, spending time with her husband, Dusty, reading, traveling, boating and fishing.

**Item 3 – Disciplinary Information**

Ms. Maxwell has not been the subject of any legal or disciplinary events that are material.

**Item 4 – Other Business Activities**

Ms. Maxwell is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Ms. Maxwell does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Ms. Maxwell's trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).

**Kate H. Hall, CIMA®**

*Managing Director, Investment Strategy*

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

Kate is Managing Director of Investment Strategy and a member of the Sendero Investment Committee. She began her investment career in 1992 and joined the Paine Webber team with Fred Middleton in 1997, transitioned to Redstone Consulting in Houston in 2000 and again transitioned to Sendero Wealth Management in 2008. Kate coordinates manager selection and ongoing due diligence for the investment platform used by Sendero. Her responsibilities include oversight of all investment management relationships and ongoing development of the investment platform that offers Sendero clients the opportunity to diversify across asset classes, styles, capitalizations and opportunistic investments. Kate enjoys travel, reading and relaxing with her husband, Blake, in the Texas hill country. She received her B.A. in English and Spanish from Texas Christian University, is a member of the Investment Management Consultants Association (IMCA) and has earned her CIMA (Certified Investment Management Analyst) designation.

**CERTIFIED INVESTMENT MANAGEMENT ANALYST (CIMA®)** is a voluntary certification; no federal or state law or regulation requires financial planners to hold CIMA certification. It signifies that an individual has met initial and on-going experience, ethical, education, and examination requirements for investment management consulting, including advanced investment management theory and application. Prerequisites for the CIMA certification are three years of financial services experience and an acceptable regulatory history. To obtain the CIMA certification, candidates must pass an online Qualification Examination, successfully complete a one-week classroom education program provided by a Registered Education Provider at an AACSB accredited university business school, and pass an online Certification Examination. CIMA designees are required to adhere to IMCA's Code of Professional Responsibility, Standards of Practice, and Rules and Guidelines for Use of the Marks.

CIMA designees must report 40 hours of continuing education credits, including two ethics hours, every two years to maintain the certification. The designation is administered through Investment Management Consultants Association (IMCA®). To learn more about the CIMA certification, visit [www.imca.org](http://www.imca.org).

**Item 3 – Disciplinary Information**

Ms. Hall has not been the subject of any legal or disciplinary events that are material.

**Item 4 – Other Business Activities**

Ms. Hall is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Ms. Hall does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Ms. Halls' trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).



**Jeffrey B. Clark, Jr., CFP®**

*Managing Director, Investment Advisor*

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

Jeff is Managing Director and a member of the Sendero Investment Committee. He started at Redstone Consulting – San Antonio in 2005, transitioned with that office to Sendero Wealth Management and then opened the Atlanta office in 2010. Jeff came to Sendero from First Rate Investment Systems, a portfolio analysis software company that he helped to launch in 1997. Prior to that, he worked as an institutional client service officer at STI Capital Management (the former institutional investment division of Sun Trust Bank). He enjoys running, hunting, playing golf and spending time with his wife, Wendy, and their three children. Jeff is a Certified Financial Planner with a Bachelor of Science in Finance from Florida State University and an MBA from Rollins College Crummer School of Business.

**The CERTIFIED FINANCIAL PLANNER™ (CFP®)** certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients. CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

To learn more about the CFP certification, visit [www.cfp.net](http://www.cfp.net).

### **Item 3 – Disciplinary Information**

Mr. Clark has not been the subject of any legal or disciplinary events that are material.

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

Mr. Clark is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

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

Mr. Clark does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

### **Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm’s code of ethics and policies and procedures, Mr. Clark’s trading records and correspondence are reviewed periodically by the firm’s chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).

**Edward A. Hart**

*Managing Director, Investment Advisor*

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

Ed is an Investment Advisor and a member of the Sendero Investment Committee. Prior to joining Sendero in 2012, Ed served for five years as a Vice President in the Investment Management Division of Goldman Sachs where his responsibilities included asset allocation, account strategy and relationship management for high net worth families and foundations located throughout Texas. He was instrumental in establishing and growing Goldman Sachs' presence in South Texas significantly during his tenure at the firm. Prior to Goldman Sachs, Ed worked for Austin, Calvert & Flavin (ACF), a San Antonio-based money management firm, and as an institutional equity sales representative for UBS in Dallas. Ed graduated with a BA degree in History from Washington & Lee University and holds a Masters in Business Administration from the University of Texas McCombs School of Business. He is active in the community, currently serving as Board President for the San Antonio Chapter of the Juvenile Diabetes Research Foundation (JDRF), as a member of the Texas Cavaliers and on the Investment Committee for the San Antonio Museum of Art. He is also a Past President of the Founders Council for the Texas Biomedical Research Institute and a Past President of the San Antonio Country Club. Ed and his wife, Melinda, have two boys, Max & Edward, Jr.

**Item 3 – Disciplinary Information**

Mr. Hart has not been the subject of any legal or disciplinary events that are material.

**Item 4 – Other Business Activities**

Mr. Hart is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Mr. Hart does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services. As a limited partner of Sendero Wealth Management and Sendero Securities, Mr. Hart may receive distributions from Sendero Wealth Management and Sendero Securities with respect to his ownership interest.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Mr. Hart's trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).

**Michael E. Miller, CFA, CAIA**  
*Investment Advisor*

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

Mike is an Investment Advisor, responsible for high net worth client service and a key analyst in alternative investment manager due diligence. Prior to joining Sendero Wealth Management in 2008, he was the senior accountant for an international consulting firm. Outside of work, Mike enjoys hunting, golfing, barbecuing and spending time in the Texas hill country with his wife, Lisa. Mike has a BBA from Texas Christian University in both Finance and Accounting, he is a CFA Charterholder and a CAIA Charterholder.

The **CHARTERED FINANCIAL ANALYST (CFA)** charter is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFA certification. It is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute – the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 135 countries.

To attain the right to use the CFA marks, an individual must satisfactorily fulfill the following requirements:

- pass three sequential, six-hour examinations
- have at least four years of qualified professional investment experience
- join CFA Institute as a member
- commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct

Ethics - The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Global Recognition - Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment. Additionally, regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

Comprehensive and Current Knowledge -The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

The **CHARTERED ALTERNATIVE INVESTMENT ANALYST (CAIA)** designation is a voluntary certification; no federal or state law or regulation requires financial planners to hold CAIA designation. It is recognized globally, is administered by the Chartered Alternative Investment Analyst Association and requires a comprehensive understanding of core and advanced concepts regarding alternative investments, structures, and ethical obligations. To qualify for the CAIA designation, finance professionals must complete a self-directed, comprehensive course of study on risk-return attributes of institutional quality alternative assets; pass both the Level I and Level II CAIA examinations at global, proctored testing centers; attest annually to the terms of the Member Agreement; and hold a US bachelor's degree (or equivalent) plus have at least one year of professional experience or have four years of professional experience. Professional experience includes full-time employment in a professional capacity within the regulatory, banking, financial, or related fields. Once a qualified candidate completes the CAIA program, he or she may apply for CAIA membership and the right to use the CAIA designation, providing an opportunity to access ongoing educational opportunities. To learn more about the CAIA designation, visit [www.caia.org](http://www.caia.org).

### **Item 3 – Disciplinary Information**

Mr. Miller has not been the subject of any legal or disciplinary events that are material.

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

Mr. Miller is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

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

Mr. Miller does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Mr. Miller's trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).

**Fred H. Falls, CPA**  
*Investment Advisor*

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

Fred is an Investment Advisor with more than 30 years of investment experience. Fred started Falls Wealth Management in 2000, servicing high net worth families in San Antonio. He joined Redstone Consulting – San Antonio in 2004 and transitioned to the Sendero Wealth Management team in 2008. He enjoys spending time in Rockport, Texas with his grandchildren. Fred is a Certified Public Accountant, a credentialed AICPA Personal Financial Specialist and has a BBA from St. Mary's University.

**CERTIFIED PUBLIC ACCOUNTANT (CPA)** is a voluntary certification; no federal or state law or regulation requires financial planners to hold CPA certification. CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own. To learn more about the CPA certification, visit [www.aicpa.org](http://www.aicpa.org).

**Item 3 – Disciplinary Information**

Mr. Falls has not been the subject of any legal or disciplinary events that are material.

**Item 4 – Other Business Activities**

Mr. Falls is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Mr. Falls does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Mr. Falls' trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).

**Brenda D. Allen**

*Registered Operations Associate*

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

Brenda is a Registered Operations Associate and Compliance Assistant who works on the operations team. Brenda joined Redstone Consulting – San Antonio in 2001 and transitioned to Sendero Wealth Management in 2008, and has been in the securities and financial industry for more than 30 years. She enjoys traveling and belongs to a book club known as The Seekers.

**Item 3 – Disciplinary Information**

Ms. Allen has not been the subject of any legal or disciplinary events that are material.

**Item 4 – Other Business Activities**

Ms. Allen is not actively engaged in any other investment-related business or occupation, nor is he actively engaged in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

**Item 5 – Additional Compensation**

Ms. Allen does not receive any additional compensation beyond his salary and regular annual bonus for providing advisory services.

**Item 6 – Supervision**

The individual who is responsible for overall supervision of investment management activity at Sendero Wealth Management and Sendero Securities is Scott McMillian. In addition, pursuant to the firm's code of ethics and policies and procedures, Ms. Allen's trading records and correspondence are reviewed periodically by the firm's chief compliance officer, Lisa Kahn-Smith. A client who wishes to communicate concerns or questions about their account may contact Ms. Kahn-Smith at 210.805.0171 or [lkahn-smith@sendero.com](mailto:lkahn-smith@sendero.com).