



# Whitley Penn Financial, LLP

## Form ADV Part 2A Brochure

March 17, 2014

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This Brochure provides information about the qualifications and business practices of Whitley Penn Financial, LLP. If you have any questions about the contents of this Brochure, please contact Kevin J. Schillo at 817.259.9126 or via email at [kevin.schillo@wpfinancial.net](mailto:kevin.schillo@wpfinancial.net). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities' authority. Whitley Penn Financial, LLP is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

## **Item 2 – Material Changes**

This Brochure dated March 17, 2014 is prepared in accordance with the SEC's requirements and rules and represents Whitley Penn Financial, LLP's ("Whitley Penn Financial" or the "Firm") annual updating amendment to its previously published Brochure. On an ongoing basis, this item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The Firm will also reference the date of its last annual update of the Brochure.

In the past, Whitley Penn Financial has offered or delivered information about the Firm's qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, the Firm will ensure that clients receive a summary of any materials changes to this and subsequent Brochures within 120 days of its business' fiscal year-end, which is December 31. Further, Whitley Penn Financial will provide clients with a new Brochure, as necessary, based on changes or new information, at any time, without charge.

Currently, Whitley Penn Financial's Brochure may be requested by contacting Kevin J. Schillo at 817.259.9126 or via email at [kevin.schillo@wpfinancial.net](mailto:kevin.schillo@wpfinancial.net).

Additional information about Whitley Penn Financial is also available via the SEC's Website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 145467. The SEC's Website also provides information about any persons affiliated with Whitley Penn Financial who are registered, or are required to be registered, as investment adviser representatives of Whitley Penn Financial.

The only material change experienced by the Firm since the last Brochure update on March 1, 2013 is the addition of a limited partner, Mr. Toby Cotton.

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#### **Item 4 – Advisory Business**

Whitley Penn Financial was formed in 2000 and is owned by its thirteen limited partners and one general partner, all of whom own less than ten percent (10%) of the Firm. The names of each partner may be found in the Firm's ADV Part 1, Schedule A.

Whitley Penn Financial provides investment advisory and consulting services to individuals, trusts, estates, corporations, charitable organizations, corporations, pension, and profit sharing plans. Investment advice and portfolio management services are provided on a continuing basis which includes the appropriate allocation of managed assets among cash, stocks, mutual funds, ETFs and bonds. This selection of specific securities which will provide proper diversification and help meet the client's stated investment objectives. These services include discretionary and non-discretionary management services. The primary clients for these services will be qualified plans including pension, profit sharing, 401(k) plans, trusts, corporations, deferred compensation plans and individuals.

The various investment advisory and consulting services programs are designed to meet the specific needs and risk tolerance of each client and may include exchange-listed stocks, corporate and municipal bonds, United States government and/or government agency securities, no-load mutual funds, closed-end mutual funds, load-waived mutual funds, certificates of deposit (CDs), exchange traded funds (ETFs) and variable insurance products and/or their sub-accounts. Service agreements may contain a written notification period for termination of services.

Thomas J. Rein, Partner and Managing Director of Whitley Penn Financial, is a licensed insurance agent in the State of Texas and may, as appropriate or at the request of an individual client, provide insurance related services on a commission basis.

Whitley Penn Financial provides discretionary and non-discretionary investment management services to clients. The Firm will consider each client's stated investment objectives, individual needs, policies and restrictions.

#### **Discretionary Investment Management Services**

The client pays Whitley Penn Financial for its investment management services based upon the client's assets under management. Whitley Penn Financial maintains a Limited Power of Attorney for all discretionary accounts for the purposes of directing and or otherwise effecting investments on behalf of the managed account, for the direct payment of the Adviser's fees, custodial fees and or other charges incurred by the managed account.

Whitley Penn Financial provides limited financial planning services. Financial planning is an evaluation of a client's current and hypothetical future financial state by using currently known variables to forecast future cash flows, asset values and withdrawal plans. Through this limited financial planning process, all questions, information and analysis are considered as they impact and are impacted by the financial and life situation of the client. Clients taking advantage of this service receive a printed report which provides the client with a detailed financial plan designed to assist the client in mapping his or her financial goals and objectives.

In general, the financial plan may address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability and long-term care.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client map his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's potential cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a self-evaluation questionnaire completed by the client, and prepare a printed report. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

### **Non-Discretionary Investment Management Services**

Whitley Penn Financial offers its retirement solution alternatives to retirement plans and their sponsors. These services include: (i) a variety of investment options, including equity, fixed income and money market options utilizing mutual funds; (ii) investment monitoring and reporting services; (iii) design and implementation of employee enrollment and education programs; (iv) assistance with compliance under ERISA; and (v) assistance to plan administration with ongoing plan operations.

The scope of services may include:

- Ongoing research and evaluation of Plan investment choices;
- Qualitative and quantitative analysis of investment choices;
- Asset allocation strategies; and or
- Group employee educational meetings no less than annually.

Whitley Penn Financial offers Plan sponsors and participants a choice of investment solutions. Generally, Whitley Penn Financial utilizes mutual funds for its recommended investment option. Sub-transfer agent fees (commonly called sub-TA fees), or “12b-1” fees may be generated in relation to the Plan for services such as marketing and selling fund shares, the provision of certain prospectuses and paperwork for the funds, and the services provided in relation to answering inquiries about the investments. Collectively, these sub-TA and 12b-1 fees are known as “revenue sharing.” To the extent such revenue sharing is received, the client may direct that revenue sharing be used to offset Whitley Penn’s fees, thereby reducing the amount of fees that we charge directly to the plan or that revenue sharing be allocated as earnings to the individual participants’ accounts in direct proportion to any individual account’s investment in the fund that generated the revenue sharing.

This revenue sharing does not increase Whitley Penn Financial’s compensation any way, but simply defrays the plan’s costs or increases participant earnings.

Selection and Monitoring Services for qualified plans are comprised of four distinct services. Clients may choose to use any or all of these services.

**Selection of Investment Vehicles:** Whitley Penn Financial will review various investments, consisting mainly of mutual funds, in order to determine which of these investments are appropriate to implement the client’s IPS, if one exists. The number of investments to be recommended will be determined by the clients.

**Monitoring of Investment Performance:** Client investments may be monitored continuously, based on the procedures and timing intervals delineated by the client. Although Whitley Penn Financial will not be directly involved in the purchase or sale of these investments, Whitley Penn Financial will supervise the client’s portfolio and will make recommendations to the client as market factors and the client’s needs dictate.

**Employee Communications:** For pension, profit sharing, and 401(k) plan clients that include individual accounts with participants exercising control over assets in their own account (“self-directed plans”), Whitley Penn Financial will provide investment education to, and for the benefit of, plan participants. Accordingly, Whitley Penn Financial will coordinate participant investment education meetings, on an annual basis. The nature of the topics to be covered will be determined by Whitley Penn Financial and the client under the guidelines established in ERISA Section 404(c). The educational support and investment meetings will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

In addition, Whitley Penn Financial provides non-investment related consulting services related to retirement plan compliance and administration. The Firm will not have discretion over the plan.

### **Publication of Periodicals**

Whitley Penn Financial publishes a monthly newsletter and quarterly review providing our clients with general information on various financial topics including, but not limited to, estate and retirement planning, market trends, issues affecting the financial markets, etc. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet

the objectives or needs of any individual. This newsletter is distributed free of charge via email to our advisory clients.

### **Consulting Services**

Individual clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer, mutual fund company or insurance company. All recommendations are of a generic nature.

Whitley Penn Financial manages client assets on both a discretionary and non-discretionary basis. As of December 31, 2013 the Firm had \$239,796,310 total assets under management, with \$215,513,164 managed on a discretionary basis and \$24,283,146 managed on a nondiscretionary basis.

The relationship between the parties may be terminated by either party upon 30 days written notice. Notwithstanding the above, if the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then the client has the right to terminate the relationship, contract without penalty, within five business days after entering into the contract. The client will be entitled to a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter after termination.

### **Item 5 – Fees and Compensation**

The fees charged are calculated as described herein, and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

A client agreement may be canceled at any time by either party, for any reason upon receipt of either a 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded to the client, and any earned, unpaid fees will be due and payable.

All fees paid to Whitley Penn Financial for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Whitley Penn Financial. In that case, the client would not receive the services provided by Whitley Penn Financial which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Whitley Penn Financial to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager affects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to Whitley Penn Financial's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** Whitley Penn Financial is not an "investment manager" as such term is defined in Section 3(38) of ERISA. We will not have the power, discretion, or authority to manage, acquire, or dispose of any of a qualified employee benefit plan's ("plan") assets and any and all such decisions will be made by the plan and the plan fiduciaries, after the plan's and plan fiduciaries' own independent consideration.

To the limited extent that Whitley Penn Financial provides investment advice for a fee, Whitley Penn Financial is a fiduciary under ERISA §3(21). However, Whitley Penn Financial is a fiduciary only with respect to this non-discretionary investment advisory function, and not in regard to the administration of the plan or in regard to participant education.

To the extent Participant Education may be considered to be investment advice under the terms of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), it is agreed that (i) the participant education service is intended to be "impersonal advisory services" as defined in Rule 204-3 promulgated under the Advisers Act, (ii) an oral presentations or written materials provided under the participant education service will not be designed to meet the investment objectives or needs of the plan(s) or any specific participant, and (iii) any statistical information provided as part of the Participant Education service will contain no expression of opinion as to the investment merits of any particular security.

To the extent that Whitley Penn Financial is deemed to be a fiduciary to advisory clients that are employee benefit plans under ERISA §3(21) or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Whitley Penn Financial may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset advisory fees paid to Whitley Penn Financial by the client.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Fees are subject to change with 30 days written notice. Notwithstanding the above, certain clients of the Adviser with pre-existing relationships may initially be charged fees which are less than those set out



above. With regards to employee-related accounts and certain other accounts, the quarterly fees may be less, depending upon a number of factors, including portfolio size, length of employment and relationship to the employee.

### **Separately Managed Accounts**

Whitley Penn Financial provides discretionary investment management services to clients. The Firm will consider each client's stated investment objectives, individual needs, policies and restrictions. The fee schedule is as follows:

<b>Included Assets Under Management</b>	<b>Annualized Fee</b>
Under \$1 Million	1.25% not to exceed 2.5%
\$1,000,001 and above	1.00% not to exceed 2.5%

The Firm charges a \$100.00 per year administration fee per account. The minimum management fee is \$3,500 per year for separately managed accounts. Fees and account size minimums are subject to negotiation and may differ based on a number of factors, including, but not limited to, the total dollar amount of assets across multiple accounts and the number and range of supplemental advisory and client related services.

In addition, Whitley Penn Financial provides non-investment related consulting services related to retirement plan compliance and administration. The fee schedule is as follows:

### **Qualified Retirement Solutions Fee Schedule**

<b>Included Assets Under Management</b>	<b>Annualized Fee</b>
Under \$250,000	\$2,500 Annual Fee
\$250,000 and above	1.00% not to exceed 2.5%

\*The minimum management fee is \$2,500 per year for qualified retirement solutions.

The client pays Whitley Penn Financial for its investment management services based upon the client's assets under management as set forth in above fee schedule. Fees are calculated by multiplying the assets under management by the relevant percent and dividing such product by four. Fees are payable quarterly, in advance for Separately Managed Accounts and in arrears for Qualified Retirement Solutions accounts. Such fees may be deducted from client's account(s) quarterly within 30 days following the end of the quarter for which said fees will be incurred. Fees for the initial quarter for new accounts will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the Agreement goes into effect.

Whitley Penn Financial maintains a Limited Power of Attorney for all discretionary accounts for the purposes of directing and or otherwise effecting investments on behalf of the managed account, for the direct payment of the Adviser's fees and or the payment of commissions, custodial fees and or other charges incurred by the managed account.

**Limited Negotiability of Advisory Fees:** Although Whitley Penn Financial has established the aforementioned fee schedule(s), we retain the discretion to negotiate a different contractual fee on a client-by-client basis based on circumstances such as complexity of the account, anticipated future additional assets, related accounts, portfolio style, account composition and reporting, among other factors. We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

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

Whitley Penn Financial does not charge any performance fees based on a percentage or dollar amount share of capital gains on or a percentage or dollar amount of capital appreciation of the assets of a client.

#### **Item 7 – Types of Clients**

Whitley Penn Financial provides investment advisory and consulting services to the following types of clients:

- individuals
- trusts
- estates
- corporations
- charitable organizations
- pension and profit sharing plans

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

Whitley Penn Financial uses an asset class-based strategy in their investment selection. Allocation is consistent to the risk tolerance of the investor. Investing in securities involves risk of loss that clients should be prepared to bear. Such risks include market risk, interest rate risk, currency risk, and political risk, among others.

While complete loss is always a possibility in terms of investing in individual stock or bond positions, our an asset class-based investment strategies are designed to reduce portfolio risk through global diversification and through selective targeting of fixed income securities. Equity positions are exposed to market risk. Clients invested in such positions should be prepared to bear the risk associated with a broadly diversified global equity portfolio. Clients investing in securities outside of the United States are exposed to market, currency and political risk. Due to our specific risk targets, portfolios with a higher proportion of equities, whether foreign or domestic, will carry slightly greater risk than the diversified market portfolio as a whole.

Bond positions are exposed to credit and interest rate risk, both of which we attempt to limit through our focus on high credit quality and low effective durations. A 100% fixed income investor should be prepared to bear the credit and interest rate risk most commonly associated with 2-5 year investment grade securities.

***ALL INVESTMENTS ARE SUBJECT TO LOSS AND PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.***

## **Item 9 – Disciplinary Information**

Whitley Penn Financial is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Whitley Penn Financial or the integrity of Whitley Penn Financial's management. Whitley Penn Financial had no information applicable to this Item.

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

Thomas J. Rein is the Managing Partner of Whitley Penn Financial and as such, Mr. Rein manages the investment advisory activities of Whitley Penn Financial. Such activities are estimated to utilize approximately 80% of Mr. Rein's time. In addition, Mr. Rein is a partner of Whitley Penn LLP, an accounting firm, which utilizes approximately 20% of his time.

Persons associated with Whitley Penn Financial may also be partners and or employed by and affiliated with Whitley Penn, LLP, a certified public accounting firm under common ownership. Whitley Penn, LLP's principal services include auditing financial statements, preparing tax returns, and other related accounting, business and tax services. Whitley Penn Financial may recommend the accounting services of Whitley Penn, LLP to its advisory clients. These services are separate from advisory services. Clients are not obligated to use the services of Whitley Penn, LLP

## **Item 11 – Code of Ethics**

Whitley Penn Financial has adopted a Code of Ethics for all supervised persons 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, restrictions on the acceptance of significant gifts the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Whitley Penn Financial must evidence by signature an acknowledgement, acceptance, and understanding of the terms of the Code of Ethics, annually, by or as amended. It is Whitley Penn Financial's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. Whitley Penn Financial will also not cross trades between client accounts. A written copy of Whitley Penn Financial's Code of Ethics is available upon request.

## **Item 12 – Brokerage Practices**

### **Investment or Brokerage Discretion/Recommendations**

Whitley Penn Financial will supervise and direct the separately managed account investments of the client accounts subject to such limitations as the client may impose in writing. Whitley Penn Financial, as agent and attorney-in-fact with respect to the client's account, without prior consultation with the client, may, (a) direct the purchase, sell, exchange, conversion, and otherwise trade in stocks, bonds and other securities including money market instruments, (b) direct the amount of securities purchased, sold, exchanged, and otherwise traded, and (c) place orders for the execution of such securities transactions through a broker-dealer. Whitley Penn Financial will allocate brokerage transactions in a manner it believes to be fair and responsible to its clients, and consistent with client objectives. Adhering to a strict

formula will not be practicable given the variation in client objectives and guidelines. Accounts managed through the Firm's qualified plan Investment Advisory Agreement are managed on a non-discretionary basis.

Whitley Penn Financial may place orders for the execution of transactions with or through a broker-dealer, and complying with Section 28(e) of the Securities Exchange Act of 1934 may pay a commission on transactions in excess of the amount of commission another broker or dealer would have charged. In managing investment portfolios, Whitley Penn Financial acts in a manner in keeping with what it understands and believes to be the best interests of the client.

Purchase and sale of specific securities by employees of Whitley Penn, LLP and Whitley Penn Financial are prohibited when there are client programs active in those securities. Executions for clients will always receive priority. The officers and employees of Whitley Penn, LLP and Whitley Penn Financial report personal securities transactions on a quarterly basis.

Individual securities are selected to provide diversification among economic sectors and industries which are chosen to achieve the desired balance between expected risk and expected return. Transactions of an unusual nature are discussed with clients before execution.

Client accounts that require frequent trading due to regular deposits or distributions from the account may be placed, with their approval, in an asset-based pricing schedule whereby the custodian or broker-dealer provides unlimited trading for a fee that is based on a percentage of assets.

#### **Item 13 – Review of Accounts**

Advisers will review all accounts no less than annually and compare each investment on a transaction basis to ensure that each transaction is: (i) suitable to the respective client's investment objectives; (ii) meets that client's quality standards; and (iii) to make sure that their investment objectives are still pertinent to the managed account arrangement. Reviews that are more frequent may be triggered by material changes in variables such as the client's individual circumstances or changes the market, economic or political environment.

The client receives, no less than quarterly, a performance report summarizing all portfolio activity for the previous quarter. In addition, the clients receive brokerage transaction confirmations and statements, no less than quarterly, from the custodian of the account.

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

Whitley Penn Financial does not provide compensation either directly or indirectly to any non-supervised person for referrals. Additionally, Whitley Penn Financial does not receive any economic benefits from any non-clients for providing investment advice to the Firm's clients.

#### **Item 15 – Custody**

Whitley Penn Financial does not maintain physical custody of any client funds or securities. Clients should receive statements, at least quarterly, from the broker-dealer, bank or other qualified custodian that holds and maintains clients' investment assets. Whitley Penn Financial urges clients to

carefully review such statements and compare such official custodial records to the account statements that Whitley Penn Financial may provide. Whitley Penn Financial's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Whitley Penn Financial usually receives written discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Whitley Penn Financial observes the investment policies, limitations and restrictions of the clients for which it advises. Investment policies, guidelines and restrictions must be provided to Whitley Penn Financial in writing.

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

As a matter of Firm policy and practice, Whitley Penn Financial does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Whitley Penn Financial may provide advice to clients regarding the clients' voting of proxies.

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

Whitley Penn Financial is required in this Item to provide clients with certain financial information or disclosures about the Firm's financial condition. Whitley Penn Financial is well capitalized, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.