

ADV Part 2A – Firm Brochure

Parkway Advisors, L.P.

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Dated March 29, 2017

Form ADV, Part 2; our “Disclosure Brochure” or “Brochure” as required by the Investment Advisers Act of 1940 is a very important document between Clients (you, your) and “Parkway Advisors” (us, we, our). This Brochure provides information about our qualifications and business practices.

This brochure provides information about the qualifications and business practices of Parkway Advisors, L.P. If you have any questions about the contents of this brochure, please contact us at 325-795-2111 and / or info@parkwayadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any State Securities Authority.

Additional information about Parkway Advisors, L.P. also is available at the SEC’s website www.adviserinfo.sec.gov (click on the link, select “investment adviser firm” and type in our firm name). Results will provide you both Part 1 and 2 of our Form ADV.

Item 2: Material Changes

We may, at any time, update this Brochure and either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact us by telephone at: 325-795-2111 or by email at: info@parkwayadvisors.com.

The following change was made to the Form ADV Part 2A – Firm Brochure since the last annual update on March 24, 2016:

Client Assets Under Management:

As of December 31, 2016, Parkway managed approximately \$1.78 billion of client assets on a discretionary basis and approximately \$13.6 million of client assets on a non-discretionary basis.

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Item 4: Advisory Business

Firm Description:

Parkway Advisors, L.P. ("Parkway") is an investment advisory service firm that manages assets for insurance companies, fraternal organizations, investment companies, pension plans, trusts, individuals, business entities and other institutions. Parkway is a Limited Partnership owned by Parkway Advisors Group, Inc. (General Partner) and Parkway Advisors Holdings, Inc. (Limited Partner). Both of these entities are wholly owned subsidiaries of Directors Investment Group, Inc., a holding company of several businesses which include real estate, agencies and insurance companies. Parkway was formed in April of 2001 and has been registered with the SEC as an investment adviser since May 16, 2001.

Description of Advisory Services:

- *Custom Advisory Program:* Parkway provides investment advisory services to its clients by advising and/or effecting purchases and sales of securities such as equities, options, debt instruments, certificates of deposit, municipal and governmental securities and/or mutual fund shares in or for its clients' accounts which will provide proper diversification and help meet the client's stated investment objectives.
- *Investment Reporting Program:* Parkway also, in conjunction with its insurance-related advisory clients, provides certain industry reporting services. The Investment Reporting Program includes services such as: insurance investment plan writing, asset cash flow generation, account review, investment performance review, accounting and related reporting (Schedules D, DA, E, IMR/AVR, RBC). Fees associated with these services are negotiated on (a) an asset based fee rate together with the Custom Advisory Program, (b) a fixed fee based on various account factors such as: size, complexity and duration.
- *Investment Consulting Program:* Parkway also, in conjunction with its insurance-related advisory clients, provides certain industry consulting services. The Investment Consulting Program includes services such as: evaluation and assistance with investment policy, analysis of portfolio structure, financial reporting, asset-liability assessment, peer review, product integration and risk evaluation. Fees associated with these services are negotiated on a fixed fee basis or together with the Custom Advisory Program. The amount of fixed fees is based on various account factors such as: size, complexity and duration.
- *401k Advisory Program:* Parkway Advisors provides complete investment solutions for all types of retirement plans, including defined contribution (401(k), 403(b), IRA's and profit sharing) and defined benefit plans (pensions). Parkway can create or manage an existing Retirement Plan. Parkway coordinates all necessary components

of a successful program, including a fund custodian or trustee, investment advisory services, administration, record keeping, training and customer service.

Wrap Fee Programs:

Parkway Advisors does not participate in wrap fee programs.

Client Assets Under Management:

As of December 31, 2016, Parkway managed approximately \$1.78 billion of client assets on a discretionary basis and approximately \$13.6 million of client assets on a non-discretionary basis.

Item 5: Fees and Compensation

Typical Fee Schedules:

Institutional - Fixed Income Management Fees:

Assets Under Management	Annual Fee
Up to \$10 Million	0.50% - 1.00%
\$10 Million to \$50 Million	0.20% - 0.45%
\$50 Million to \$100 Million	0.15% - 0.35%
\$100 Million to \$250 Million	0.10% - 0.25%
Over \$250 Million	0.06% - 0.20%

Institutional - Equity Only Management Fees:

Assets Under Management	Annual Fee
All Asset Levels	0.25% - 0.75%

Individual - Management Fees:

Assets Under Management	Annual Fee
Up to \$1 Million	1.25%
Over \$1 Million	1.00%

401(k) Plan - Management Fees:

Assets Under Management	Annual Fee
Up to \$1 Million	0.75%
\$1 Million to \$3 Million	0.50%
Over \$3 Million	0.25%

Mutual Fund Sub-Adviser Fees:

Assets Under Management	Annual Fee
All Asset Levels	0.50%

In certain cases, Parkway may negotiate different fees than those presented above. The fee schedule may vary depending upon factors such as the management style, complexity of investments, amount of assets and/or those with a pre-existing relationship. Fees are calculated on an incremental basis and are subject to change with 30 days written notice. Parkway reserves the right to waive its fees. With regard to management of mutual funds, Parkway provides investment advisory and other administrative services.

Parkway's fee shall be based upon a percentage of the Assets Under Management. Accounts will be charged an annualized management fee, in advance, which will be assessed quarterly. The first management fee will be assessed at account inception. Fees are calculated by multiplying the assets under management by the relevant percent and dividing such product by four (4). Accounts opened during the quarter will be assessed a pro-rated management fee. With regards to employee related accounts and certain other accounts, the quarterly fees may be less or waived, depending upon a number of factors, including portfolio size, length of employment and relationship to the employee.

The Assets Under Management shall include all amounts in the accounts of the client and authorized for Parkway to advise including but not limited to the following: (i) fixed income investments [CDs, Bonds, etc.] shall be either the market value or the book value of all fixed income securities plus accrued interest; and (ii) other investments [Stocks, Options] shall be either the market value or the book value of the securities or investments.

Parkway maintains a 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 Parkway's fees and/or the payment of any commissions, custodial fees and or other charges incurred by the managed account.

To the extent mutual funds are selected by Parkway to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including Rule 12b-1 fees and expenses. Client is advised that, in addition to the annual advisory fee set forth above, some mutual funds in which assets are invested may incur separate other related expenses.

Termination: 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 contract without penalty within five (5) business days after entering into the contract.

In the event of termination (outside the five (5) business days after entering into the contract), the advisory fee due to the Advisor for the termination period shall be prorated and shall be based on the latest valuation of the assets as of the date notice was received.

Fee Payment Options:

There are two options you may select to pay for our services:

- Direct debiting (preferred): at the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee or the calculation of the assets on which the fee is based. They will "deduct" the fee from your Account(s) or, if you have more than one account from the account you have designated to pay our advisory fees.
 - Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits / debits into or from your account; the statements after the quarter end will reflect these transactions, including the advisory fee paid by you to us.
- Pay-by-check: At the inception of the Account and each quarter thereafter, we issue you an invoice for our services and you pay us by check or wire transfer within 15 days of the date of the invoice.

Additional Fees and Expenses:

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management. Fees charged are by the broker-dealer / custodian.

We do not receive, directly or indirectly any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees include:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds (MF) and Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on MF or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by MFs);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions;
- Other fees that may be incurred.

In addition, we do not have or employ any “Employee” who receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account or to which we provide consulting expertise / services. We do not have any potential conflicts of interest present that relate to any additional (and un-disclosed) compensation from you or your assets that we manage.

Item 6: Performance-Based Fees and Side-By-Side Management

Parkway does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Advisory fee compensation is charged only as disclosed above.

Item 7: Types of Clients

Description:

Parkway provides services to a number of clients:

- Insurance Companies
- Fraternal Organizations
- Corporations or other business entities
- Pension Plans
- Investment Companies
- Trusts and charitable organizations
- Individuals, including high net worth individuals

Account Minimums:

A minimum amount is not required to open an account that will be managed by Parkway.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis:

Security analysis methods may include charting, fundamental analysis, technical analysis and cyclical analysis. The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases. Security analysis for insurance clients requires consideration of how any investment will impact the statutory financial reports of the company. This includes net investment income, risk-based capital and IMR/AVR reserves when applicable. It is also prudent to consider how the investments relate to the products sold by the company.

Investment Strategies:

The investment strategy for a specific client is based on the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Plan that documents their objectives and desired investment strategy. Other strategies may include long term purchases, short term purchases and trading. Our investment strategies for insurance companies are centered on enhancements

to net investment income, positive impacts to capital and surplus and risk reduction as it specifically applies to insurers. The history and products of each insurance company are unique and it is important for the investment strategies of each client to be tailored to these individual needs. Diversification needs for insurance companies are also unique and warrant that diversification objectives consider size limits based upon the capital and surplus of the company and the ability of any specific reserves to buffer statutory losses.

Risk of Loss:

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). As you know, stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets. Investors may face investment risks such as:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They

carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Item 9: Disciplinary Information

Parkway does not have any legal, financial or other "disciplinary" items to report. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

This statement applies to our Firm and every employee.

Item 10: Other Financial Industry Activities and Affiliations

Broker-Dealer or Representative Registration:

No Parkway employees are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Parkway is not registered as a broker-dealer and does not intend to seek such registration.

Futures or Commodity Registration:

No Parkway employees are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.

Parkway is not registered as a futures commission merchant, commodity pool operator or a commodity trading advisor and does not intend to seek such registration.

Insurance Company or Agency:

Parkway is under common ownership with separate subsidiaries of Directors Investment Group, Inc. ("DIG"). Specifically, DIG also owns Funeral Directors Life Insurance Co. ("FDLIC") (insurance company). The Insurance Company's principal place of business is 6550 Directors Parkway, Abilene, Texas 79606. Additionally, DIG owns Kentucky Funeral Directors Life Insurance Company (insurance company) with its principal place of business at 2700 Lexington Financial Center, Lexington Kentucky 40507. The Insurance Companies are regulated insurance entities licensed to sell various insurance products and services. DIG also owns Directors Agency, L.P. (agency), which is a nation-wide agency that provides strategic support for marketing FDLIC products and licenses agents to sell for FDLIC. The Agency's principal place of business is 6550 Directors Parkway, Abilene, Texas 79606. Parkway and its employees may refer their customers to the Insurance Companies and may manage advisory accounts on behalf of the Insurance Companies. Other than any applicable management fee, Parkway receives no other benefit for any referrals to the Insurance Companies. Parkway employees do not sell insurance products or receive any compensation relating to insurance.

Investment Company:

Parkway is the sub-adviser to the Monteagle Select Value Fund which is a part of the Monteagle Funds ("Monteagle") mutual fund complex. Monteagle is a registered investment company with its principal place of business in Nashville, Tennessee. Parkway is not under any common ownership with Monteagle. However, Parkway's involvement with the Monteagle Select Value Fund may be considered an 'affiliated' relationship with the mutual fund complex. Representatives of Parkway may suggest Monteagle mutual funds to its clients, to the extent such is an appropriate investment vehicle for the clients portfolio, but do not receive any commissions associated with same. To the extent mutual funds are selected by Parkway to fill components of the overall investment strategy, Parkway endeavors to purchase such mutual fund shares at Net Asset Value ("NAV") or no load. Thus, the client 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.

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

Code of Ethics Description:

The employees of Parkway have committed to a Code of Ethics. The purpose of our Code of Ethics is to ensure that when employees buy or sell securities for their personal account, they do not create actual or potential conflict with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients. On an annual basis, we require all employees to re-certify to our Code, identify any accounts to which they or members of their household have a beneficial ownership (they “own” the account or have “authority” over the account), securities held in certificate form and all securities they own at that time. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Investment Recommendations Involving a Material Financial Interest and Conflict of Interest:

Parkway and its employees do not recommend to clients securities in which we have a material financial interest.

Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest:

Parkway and its employees may buy or sell securities that it also recommends to clients. In order to avoid potential conflicts of interest such as heading away of client trades, employees are required to disclose all reportable securities transactions as well as provide Parkway with copies of their brokerage statements. The Chief Compliance Officer is Jennifer Richardson. She reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment. Since most employee trades are in products such as mutual funds, government securities, ETFs, and bonds or are small in size, they do not impact the securities markets.

Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest:

Parkway does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist.

Item 12: Brokerage Practices

Factors Used to Select Broker-Dealers for Client Transactions:

Parkway may recommend the use of a particular broker-dealer or may utilize a broker-dealer of the client's choosing. Parkway will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. Parkway relies on the broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by Parkway.

Directed Brokerage:**Client Directed Brokerage:**

Parkway recommends clients that do not have a custodial relationship with a bank to custody their account with Raymond James & Associates, Inc. ("Raymond James"). We do not receive compensation from Raymond James for accounts our clients open with them. Not all advisers require their clients to direct brokerage. We may not be able to achieve the most favorable execution of client transactions for any account with a broker custodian. Consequently, this may cost clients money and limit our ability to maximize our clients' wealth. Raymond James is our recommended broker for clients without a bank custodian relationship because of their low commission structure, effective trade execution platform and the ability to aggregate client trades, which leads to a decrease in potential dispersion of returns amongst accounts.

Client Directed Brokerage – Commission Recapture:

Clients who custody with a bank are not permitted to direct brokerage commissions. We may not be able to achieve the most favorable execution of client transactions for accounts that choose to custody with a broker custodian. Clients who choose to custody assets with a broker-dealer may incur higher commission rates, we may not be able to aggregate orders to reduce transaction costs and clients may receive less favorable prices. These factors can cost clients money.

Research and Other Soft Dollar Benefits:

Parkway does not have any Soft Dollar arrangements nor accepts any Soft Dollar related benefits.

Brokerage For Client Referrals:

Parkway does not consider referrals when we select or recommend broker-dealers to clients.

Aggregating Securities Transactions for Client Accounts:

Parkway is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other clients of Parkway. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis. Parkway will aggregate the purchase or sale of securities for various client accounts at custodians with aggregating abilities when the timing of orders allows it. The benefit to clients is the decrease in potential dispersion of returns amongst accounts.

Item 13: Review of Accounts

Review of Accounts:

Parkway offers managed account programs to its customers. These managed accounts are monitored on a systematic basis, and each account is reviewed quarterly by a principal or other designated by the firm. Notwithstanding the above, more active accounts and larger accounts may be reviewed on a daily basis. With respect to account performance, Parkway reviews each account on a quarterly basis, and compares each investment on a transaction basis to insure 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.

Reports:

The nature and frequency of reports to clients are determined primarily by the particular needs of each client. Generally, clients are issued quarterly reports by Parkway, which reports generally are intended to demonstrate the performance of account assets as well as provide an asset holding summary. The clients also receive brokerage transaction confirmations and monthly custodial statements.

Item 14: Client Referrals and Other Compensation

Economic Benefits from External Sources:

Neither Parkway, nor any of our employees, receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.

Advisory Firm Payments for Client Referrals:

To the extent a registered individual/firm refers clients to Parkway, Parkway is willing to pay a referral fee based on a percentage of assets under management earned by Parkway on referred accounts and represents no additional expenses to the Client. Such agreements will comply with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, including the requirement that the relationship between the solicitor and the investment adviser be disclosed to the client at the time of the solicitation or referral. In any such case, applicable state laws may require these persons to become either licensed as representatives of the firm or as an independent investment adviser. The Client will be requested to acknowledge this arrangement prior to acceptance of the Client's funds.

Item 15: Custody

Parkway does not maintain custody of client assets. All assets are held at qualified custodians, which means that the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the accounts statements received directly from their custodians to the Portfolio Valuation Reports prepared by Parkway.

Item 16: Investment Discretion

Discretionary Authority for Trading:

Parkway accepts discretionary authority to manage securities accounts on behalf of clients. Parkway has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, Parkway consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client chooses the custodian to be used and the commission rates paid to the custodian. Parkway does not receive any portion of the transaction fee or commissions paid by the client to the custodian on certain trades.

Item 17: Voting Client Securities (i.e., Proxy Voting)

Parkway does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent. When assistance on voting proxies is requested, Parkway will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

Item 18: Financial Information

Balance Sheet:

A balance sheet is not required to be provided because Parkway does not serve as a custodian for client funds or securities and Parkway does not require prepayment of fees of more than \$1,200 per client six months or more in advance.

Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients:

Parkway has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

Bankruptcy Petitions during the Past Ten Years:

Parkway has not been the subject of a bankruptcy petition.