

# **MILLER-GREEN FINANCIAL SERVICESLLC**

## **CLIENT BROCHURE**

SEC File Number: 801 – 60054

**Form ADV Part 2A  
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**This Brochure provides information about the qualifications and business practices of Miller-Green Financial Services LLC (“Miller-Green Financial Services”). If you have any questions about the contents of this Brochure, please contact us at (713) 224-3100 / (800) 538-0020 or e-mail at [service@miller-green.com](mailto:service@miller-green.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.**

**Additional information about Miller-Green Financial Services also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our firm CRD number is 110949.**

References herein to Miller-Green Financial Services as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

This section discusses any material changes to the Firm Brochure since the date of our 2017 annual update to the Brochure which was March 31, 2017, through the date of our 2018 annual update which was March 24, 2018.

In 2017, Tectonic Holdings LLC ("Tectonic") purchased 100% of Sanders Morris Harris LLC ("SMH"), its subsidiary HWG Insurance Agency, LLC, and Miller-Green Financial Services LLC ("MG") from Summer Wealth Management LLC ("Seller"). HWG Insurance Agency, LLC, is an insurance agency registered with the Texas Department of Insurance ("HWG") affiliated with SMH. MG is a registered investment adviser registered with the Securities and Exchange Commission.

As a result of the desire to streamline operations and strengthen oversight after the Tectonic Acquisition, will be the merger of MG into SMH. On March 21, 2018, the respective Board of Managers of SMH and MG authorized the officers of the two firms to undertake the actions necessary to execute a merger with SMH being the remaining entity. Please refer to the Other Financial Industry Activities and Affiliations section of this document for more information on our affiliated companies.

**Item 3            Table of Contents**

Item 2	Material Changes .....	2
Item 3	Table of Contents.....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation.....	7
Item 6	Performance-Based Fees and Side-by-Side Management.....	9
Item 7	Types of Clients .....	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9	Disciplinary Information .....	11
Item 10	Other Financial Industry Activities and Affiliations.....	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions, Trading .....	13
Item 12	Brokerage Practices .....	13
Item 13	Review of Accounts .....	16
Item 14	Client Referrals and Other Compensation .....	16
Item 15	Custody .....	17
Item 16	Investment Discretion .....	17
Item 17	Voting Client Securities .....	17
Item 18	Financial Information .....	17

## **Item 4 Advisory Business**

Miller-Green Financial Services LLC (“*Miller-Green*” or “*MG*”) is registered with the United States Securities and Exchange Commission, (“*SEC*”) and has been in the investment advisory business since 1985. Miller-Green Financial Services is headquartered in Houston, Texas.

Miller-Green Financial Services is wholly owned by Tectonic Holdings, LLC. The officers of Tectonic Holdings, LLC, are not engaged in the day-to-day investment advisory activities at MG. These services are carried out under the direction of George Ball, Vice President. Thomas J. Lykos, Jr. is MG’s Chief Compliance Officer and General Counsel.

As discussed below, Miller-Green offers to its clients’ investment advisory and consultation services on a fee-basis, and, to the extent specifically requested by a client, limited retirement-related consulting services incidental to the investment management process on matters such as estate planning, tax issues, and insurance needs.

### **Investment Advisory Services**

The client can engage MG to provide discretionary or non-discretionary investment advisory services on a fee basis. MG’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under MG’s management. Before engaging MG to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with MG setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

MG’s annual investment advisory fee is limited to investment advisory services. As disclosed below, MG’s annual investment advisory fee does not include comprehensive financial planning and/or related consultation services.

MG provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Then, MG will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. MG primarily allocates or recommends that clients allocate investment assets among: exchange-listed stocks, mutual fund shares, options, corporate debt, exchange traded funds (“ETFs”), and potentially US government securities on a discretionary and non-discretionary basis in accordance with the client’s designated investment objective(s). Once allocated, MG provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

### **Financial Planning and Non-Investment Consulting/Implementation Services**

MG does not provide comprehensive financial planning services. Rather, to the extent requested by the client, MG may provide limited retirement-related consulting services incidental to the investment management process on matters such as retirement planning, tax issues, and insurance needs. MG admonishes client to refer to tax professionals, lawyers and accountants for advice in these areas. Neither MG, nor any of its representatives, serves as an attorney or accountant, and no portion of MG’s services should be construed as same. To the extent requested by a client, MG may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, securities brokers, insurance, etc.), including representatives of MG in their separate individual capacities as registered representatives of Sanders Morris Harris LLC (“SMH”), the Firm’s affiliated SEC registered and FINRA member broker-dealer, and as

licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from MG and/or its representatives.

Please Note: If the client engages any such unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Please Also Note-Conflict of Interest: The recommendation by MG representatives that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of SMH and/or as insurance agents, presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from MG representatives. Clients are reminded that they may purchase securities and insurance products recommended by MG through other, non-affiliated broker-dealers and/or insurance agencies.

PLEASE NOTE: Conflict of Interest. SMH, MG's affiliated broker-dealer, will serve as the broker-dealer for the client's account(s). To the extent there are any commission related transactions, SMH shall earn commissions and/or transaction fees for account transactions, a portion of which shall be remitted by SMH to representatives of MG in their separate individual capacities as registered representatives of SMH. The transactions fees charged by SMH may be higher than those charged by other broker-dealers.

Independent Managers. For those clients that require an enhanced and/or specialized level of investment management services, MG may also recommend that certain clients authorize MG to allocate, on a non-discretionary basis, the active discretionary management of a portion of their assets by and/or among certain independent investment manager[s] to be selected by MG (the "*Independent Manager[s]*"), based upon the stated investment objectives of the client. MG shall continue to render ongoing and continuous advisory services to the client relative to the monitoring and review of account performance, client investment objectives, and asset allocation, for which MG may receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Manager[s]*. Alternatively, MG may receive a portion of investment management fees associated with these programs, as outlined in the fee disclosures, for personalized investment services and monitoring. Factors which MG shall consider in recommending *Independent Manager[s]* include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. MG generally has the authority to determine the broker-dealer/custodian to be used by the designated *Independent Manager[s]* relative to those accounts for which the *Independent Manager[s]* provide discretionary investment management services for MG's clients. The investment management fees charged by the designated *Independent Manager[s]*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, MG's ongoing investment advisory fee. Fees charged by MG pursuant to the use of *Independent Manager[s]* may be either in advance or arrears depending upon the specific *Independent Manager* relationship, and will be disclosed to the client at the time of entering into the relationship.

Any Questions: Our General Counsel and CCO, Thomas J. Lykos, Jr. remains available to address any question that a client may have regarding asset based pricing arrangements, and corresponding conflicts and limitations.

Please Note: Non-Discretionary Service Limitations. Clients that determine to engage MG on a non-discretionary investment advisory basis must be willing to accept that MG cannot execute any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus,

in the event of a market correction during which the client is unavailable, MG will be unable to execute any account transactions (as it would for its discretionary clients) without first obtaining the client's verbal consent.

In some cases, MG also may render non-discretionary investment advisory services to its clients relative to: (1) certain equity positions owned by the client; (2) variable life/annuity products that they may own, and/or (3) their individual accounts held through employer- sponsored retirement plans. In so doing, the MG either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan. Investments and service providers relative to Plan offerings are limited to only those available through the respective Plans and are determined by the Plan Sponsor(s).

Client Obligations. In performing its services, MG shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify MG if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising MG's previous recommendations and/or services.

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by MG) will be profitable or equal any specific performance level(s).

Please Note: Retirement Rollovers-No Obligation/Conflict of Interest: A client or prospective client is under absolutely no obligation to engage MG as the investment adviser for his/her employer sponsored retirement account. Rather, a client can continue to self-direct his/her retirement account at his/her employer. If the client determines that he/she would like MG's assistance, MG shall charge a separate and additional advisory fee for its ongoing advisory services. The client will not incur this separate and additional advisory fee if he/she determines to continue to self-direct his/her account. As a result, any recommendation by MG that a client engage MG to manage his/her retirement account presents a conflict of interest since MG shall derive an economic benefit from such engagement. Again, a client is under absolutely no obligation to engage MG as the investment adviser for his/her retirement account.

Disclosure Statement. This Disclosure Statement, also referred to as Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*. MG shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, MG shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on MG's services. MG does not participate in a wrap fee program.

As of December 31, 2017, MG had \$51,049,623 in assets under management on a discretionary basis and \$25,706,363 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

### A. Investment Advisory Services

The client can engage MG to provide discretionary or non-discretionary investment advisory services on a fee basis. MG's negotiable annual investment advisory fee shall generally be based upon a percentage (%) of the market value and type of assets placed under MG's management on a tiered basis, which is paid on a pro rata quarterly basis, will not exceed and will be typically less than those described immediately below:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
First \$100,000	3.00%
Next \$200,000	2.25%
Next \$200,000	1.90%
Next \$500,000	1.70%
More than \$1,000,000	Negotiable

For clients invested in Stock and/or Options Program, the assets are managed on a discretionary basis and the Investment Management fee is equal to 1.25% annually. For clients invested in the Tactical Asset Allocation Portfolio ("TAAP"), the annual investment management fee is 1.25% with the following breakpoints:

On the first \$700,000	1.25%*
Next \$300,000	1.10%*
More than \$1,000,000.01	0.95%*

Please Note: Asset Based Pricing Limitations: We typically negotiate asset based pricing with the account custodian, generally Pershing. Under an asset based pricing arrangement, the amount that you will pay for account commission/transaction fees is based upon a percentage (%) of the market value of your account (generally, the greater the market value, the lower the %), as opposed to transaction based pricing, which assesses a separate commission/transaction fee for each account transaction. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by you to the account custodian. You can request at any time to switch from asset based pricing to transactions based pricing. However, there can be no assurance that the volume of transactions will be consistent from year-to-year given market events and security selection. Thus, given the variances in trading volume, any decision by you to switch to transaction based pricing, could potentially prove to be economically disadvantageous.

From time to time, MG may conduct General Educational Programs for companies and individuals. The content of presentations may include general information relating to investment management, financial planning, retirement plans, insurance strategies, college funding, estate and retirement preparation and planning topics. MG may provide these services on a complimentary basis. Where services are provided to companies or professional organizations, or where the content/scope of materials are more extensive, a fee may apply. Any fee would be based upon complexity, materials provided, time and effort and other factors. The fee, if ever applicable would be agreed to at the time of engagement. In each case, the MG's general educational programs do not provide individualized advice or services.

Attendees are welcome but are never under any obligation to engage MG for individualized services.

Clients may elect to have MG's advisory fees deducted from their custodial account. Both MG's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of MG's investment advisory fee and to directly remit that management fee to MG in compliance with regulatory procedures. In the limited event that MG bills the client directly, payment is due upon receipt of MG's invoice. MG shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.

Other Fees and Expenses - As discussed below, unless the client directs otherwise or an individual client's circumstances require, MG shall generally recommend that Sanders Morris Harris LLC ("SMH"), which is affiliated with MG, or *Pershing*, a member of the New York Stock Exchange serve as the broker-dealer/custodian for client investment management assets. Broker-dealers including but not limited to *Pershing* and *SMH* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions) which are in addition to MG's investment management fee. Other fees or charges which a client may incur in association with securities transactions implemented with or through a brokerage firm include mark-ups or mark-downs in principal transactions, deferred sales charges, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation all of which will be charged to you in addition to our fee. You should go to the section below on Brokerage Practices in this Brochure for more information on how we select or recommend brokerage firms for your securities transactions and information related to that process and any related conflicts of interest.

In addition to MG's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses which are described in each fund's prospectus).

When beneficial to the client, individual fixed-income and/or equity transactions may be executed through broker-dealers with whom MG and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client may incur both the transaction fee charged by the executing broker-dealer and a "trade-away" fee charged by *Pershing*).

MG's annual investment advisory fee shall be prorated and paid quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. MG generally does not require a minimum annual investment advisory fee. MG, in its sole discretion, may reduce its investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, familial relationship, dollar amount of assets to be managed, related accounts, account composition, etc.).

The *Investment Advisory Agreement* between MG and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, MG shall debit the account or provide an invoice due upon receipt for the pro-rated portion of the unpaid advanced advisory fee based upon the



number of days that services were provided during the billing month or billing quarter, as applicable.

Securities Commission Transactions. In the event that the client desires, the client can engage MG's supervised persons in their individual capacities as registered representatives of our affiliated SEC registered and FINRA member broker-dealer, SMH, to purchase investment-related products on a non-discretionary commission basis. In the event the client chooses to purchase investment products through SMH, SMH will charge brokerage commissions to effect securities transactions, a portion of which commissions SMH shall pay to MG's representatives, as applicable. The brokerage commissions charged by SMH may be higher or lower than those charged by other broker-dealers. In addition, SMH, as well as MG's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

Many clients of Miller-Green hold concentrated positions of securities issued by their former-employers. Miller-Green manages certain of those securities at no cost or at a discounted/negotiated rate. Clients who transfer portable assets accumulated through their corporate incentive and retirement plans may be managed at no cost or a negotiated rate.

1. Conflict of Interest: The recommendation that a client purchase a commission product from SMH presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's needs. No client is under any obligation to purchase any commission products from SMH.
2. Please Note: Clients may purchase investment products recommended by MG through other non-affiliated broker dealers or agents.

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

Neither MG nor any supervised person of MG accepts performance-based fees.

## **Item 7 Types of Clients**

MG's clients shall generally include individuals, high net worth individuals, trusts, estates and charitable organizations, corporations and other business entities. MG does not currently maintain a minimum for asset management services.

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

A. MG may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)
- Qualitative - (analysis of certain factors, both objective and subjective information compared against certain benchmarks)
- Quantitative— economic, business or financial variables in a mathematic formula that predicts behavior r events through the use of formulas measurements, statistical modeling and research.

MG may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by MG) will be profitable or equal any specific performance level(s). Please Also Note: Investing in securities involves risk of loss that clients should be prepared to bear.

B. MG's methods of analysis and investment strategies generally are not designed to do not present material or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis MG must have access to current/new market information. MG has no control over the dissemination rate of market information; therefore, unbeknownst to MG, certain analyses may be compiled with outdated market information, severely limiting the value of MG's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

MG's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading—are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a

result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer-term investment strategy.

In addition to the fundamental investment strategies discussed above, MG may also implement and/or recommend options transactions. Options trading and transactions have a high level of inherent risk. (*See* discussion below).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by MG shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. Please Note: Although the intent of the options-related transactions that may be implemented by MG is to hedge against principal risk, certain of the options- related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct MG, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. MG recommends asset allocations based on a particular client's: economic situation, liquidity needs, risk tolerance, proposed investment period, need for diversification, reliance upon current income, present and anticipated tax situation. MG also considers historical yields, potential appreciation and marketability before making investment recommendations. MG recommends and manages many types of asset allocations, including: exchange-listed securities, mutual fund shares, corporate debt, ETFs, US government securities, real estate investment trusts, and certificates of deposit on a discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9 Disciplinary Information**

MG has not been the subject of any disciplinary actions.

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

- A. MG is not registered and it does not have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. However, as disclosed above in Item 5.E, certain of MG's representatives are registered representatives of Sanders Morris Harris LLC ("SMH"), an affiliated SEC registered investment adviser and FINRA member broker-dealer. Clients may choose to engage certain of MG's representatives, in their individual capacities as registered representatives of SMH, to effect securities brokerage transactions on a commission basis. Tectonic Holdings, LLC, which wholly owns MG is also the parent company of Sanders Morris Harris LLC.

Conflict of Interest: The recommendation by MG's Associated Persons, that a client purchase a securities commission product presents a material conflict of interest, as the receipt of

commissions may provide an incentive to recommend investment products based on commissions received, rather than on a client's need. No client is under any obligation to purchase any commission products from MG's Associated Persons. Clients are reminded that they may purchase securities commissioned products recommended by MG through other, non-affiliated broker dealers.

- B. Neither MG, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Insurance Agents. MG does not engage in the sale of insurance products to advisory clients. However, certain of MG's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced above, clients can engage certain of MG's representatives to purchase insurance products on a commission basis. Any activity by your investment adviser representative as an insurance agent is separate from and outside of his or her role on behalf MG and therefore would be executed through an appropriate affiliated entity.

Conflict of Interest: The recommendation by MG's Associated Persons, that a client purchase an insurance commission product presents a material conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission product from MG's Associated Persons. Clients are reminded that they may purchase insurance commissioned products recommended by MG through other unaffiliated insurance agents or agencies.

- D. Independent Managers. For those clients that require an enhanced and/or specialized level of investment management services, MG may also recommend that certain clients authorize MG to allocate, on a non-discretionary basis, the active discretionary management of a portion of their assets by and/or among certain independent investment manager[s] to be selected by MG (the "*Independent Manager[s]*"), based upon the stated investment objectives of the client. MG shall continue to render ongoing and continuous advisory services to the client relative to the monitoring and review of account performance, client investment objectives, and asset allocation, for which MG shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Manager[s]*. Factors which MG shall consider in recommending *Independent Manager[s]* include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. MG generally has the authority to determine the broker-dealer/custodian to be used by the designated *Independent Manager[s]* relative to those accounts for which the *Independent Manager[s]* provide discretionary investment management services for MG's clients. The investment management fees charged by the designated *Independent Manager[s]*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, MG's ongoing investment advisory fee. Fees charged by MG pursuant to the use of *Independent Manager[s]* may be either in advance or arrears depending upon the specific *Independent Manager* relationship, and will be disclosed to the client at the point of entering into the advisory relationship.

Through Tectonic Holdings LLC, we are also affiliated with the following investment advisers and operating entities – Sanders Morris Harris LLC, Tectonic Advisers, LLC, HWG Insurance Agency, Inc., (insurance). Sanders Morris Harris LLC is both an investment adviser and a registered broker-dealer. Through common ownership of Tectonic Holdings, LLC Additionally, MG is also affiliated with Cain Watters &

Associates, and Privus Financial, LLC; both SEC registered investment advisors. MG is also affiliated with National Bank, T Bank, NA.

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

- A. MG maintains an investment policy relative to personal securities transactions. This investment policy is part of MG's overall Code of Ethics, which serves to establish a standard of business conduct for all of MG's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request. In accordance with Section 204A of the Investment Advisers Act of 1940, MG also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by MG or any person associated with MG.
- B. Neither MG nor any related person of MG recommends, buys, or sells for client accounts, securities in which MG or any related person of MG has a material financial interest except as stated in Conflicts of Interest.
- C. MG and/or representatives of MG *may* buy or sell securities that are also recommended to clients. This practice may create a situation where MG and/or representatives of MG are able to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if MG did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed before those of MG's clients) and other potentially abusive practices.

MG has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of MG's "Access Persons." MG's securities transaction policy requires that Access Person of MG will provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person's account during the previous quarter; and on an annual basis, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person's current securities holdings.

- D. MG and/or representatives of MG *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where MG and/or representatives of MG are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above MG has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of MG's Access Persons.

#### **Item 12 Brokerage Practices**

- A. In the event that the client requests that MG recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct MG to use a specific broker-dealer/custodian), MG generally recommends that investment advisory accounts be maintained at its affiliated broker-dealer, Sanders Morris Harris LLC ("SMH") and/or Pershing. Prior to engaging MG to provide investment advisory services, the client will be required to enter into a formal Investment Advisory Agreement with MG setting forth the

terms and conditions under which MG shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Further, as discussed above, certain of MG's representatives, in their individual capacities are registered representatives of SMH. These representatives are subject to NASD Rule 3040, which restricts registered representatives from conducting securities transactions away from their broker-dealer unless SMH provides written consent. Therefore, clients are advised that certain associated persons may be restricted to conducting securities transactions through SMH unless they first secure written consent from SMH to execute securities transactions through a different broker-dealer. Absent such written consent or separation from SMH, these representatives are prohibited from executing securities transactions through any broker-dealer other than SMH under SMH's internal supervisory policies. MG is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

Factors that MG considers in recommending SMH and/or Pershing (or any other broker-dealer/custodian to clients) include historical relationship with MG, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by MG's clients shall comply with MG's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to execute the same transaction where MG determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although MG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, MG's investment advisory fee. MG's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Please Note: Conflict of Interest. SMH, MG's affiliated broker-dealer, will generally serve as the broker-dealer for client accounts. SMH shall earn commission and/or transaction fees for account transactions, a portion of which shall be remitted by SMH to representatives of MG in their separate individual capacities as registered representatives of SMH. The transactions fees charged by SMH may be higher than those charged by other broker-dealers. SMH and MG are both owned by Tectonic Holdings, LLC.

#### **B. Aggregation (Block) Trading for Multiple Client Accounts**

Where the Adviser has limited discretion: Transactions for each client generally will be executed independently, unless the Adviser decides to purchase or sell the same securities for several clients at approximately the same time. In this situation, the Adviser may purchase a "block" of stock for dissemination to multiple client accounts. The Adviser does not engage in "block" trades otherwise. The Adviser may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the Adviser's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Due to the individualized nature of services, however, large orders of securities are not always consistent with the nature of the Adviser's services. Aggregation is undertaken in firms processing large orders of securities in order to realize more effective trade execution and the cost efficiencies that come from executing larger order sizes. In each case, the Adviser strives to allocate investment opportunities

or trades among its clients in a manner that is fair and equitable and based upon the client investment objectives.

Normally, under this procedure, transactions will generally be averaged as to price and allocated according to the Adviser's standard allocation procedure. This procedure considers the circumstances of each trade and always strives for fairness and cost-effectiveness to the client. In most cases when the Adviser executes only a partial fill of a targeted buy order, allocations will be pro-rated. Likewise, when the Adviser executes only a partial fill of a targeted sell order, allocations will be pro-rated.

To the extent that the Adviser determines to aggregate client orders for the purchase or sale of securities, including securities in which the Adviser's Advisory Representatives may invest, the Adviser shall normally do so in accordance with applicable rules promulgated under the SEC's Investment Advisors Act and no-action guidance provided by the staff of the SEC. An allocation statement will be prepared and any special circumstances or conditions will be outlined in connection with each event. The Adviser shall not receive any additional compensation or remuneration as a result of the aggregation.

Certain issues may impact the Adviser's allocation under the particular circumstances and in such cases, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

The Adviser receives no additional benefit as a result of the proposed aggregation.

1. Research Benefits. MG may receive from SMH and/or Pershing (or another broker-dealer/custodian, investment platform, investment product sponsor and/or unaffiliated investment manager), without cost (and/or at a discount) support services and/or products, certain of which may assist MG to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by MG may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel expenses and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by MG in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist MG in managing and administering client accounts. Others do not directly provide such assistance, but rather assist MG to manage and further develop its business enterprise.

2. MG does not receive referrals from broker-dealers.

3. MG does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and MG will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by MG. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs MG to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through MG.

### **Item 13 Review of Accounts**

For those clients to whom MG provides investment supervisory services, account reviews are conducted on an ongoing basis by George Arnold and Sumeet Rai and other advisory representatives. All investment supervisory clients are advised that it remains their responsibility to advise MG of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with MG on an annual basis.

- A. MG *may* conduct account reviews other than on a periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- B. Clients are provided, at least quarterly, with written (or electronic) transaction confirmation notices and regular written (or electronic) summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

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

- A. As referenced above, MG may receive an economic benefit from *SMH* or *Pershing*. MG, without cost (and/or at a discount), may receive support services and/or products from *SMH* or *Pershing* (which may include direct monetary assistance from *SMH* or *Pershing* to obtain certain services or products).

MG’s clients do not pay more for investment transactions effected and/or assets maintained at *SMH* or *Pershing* as a result of this arrangement. There is no corresponding commitment made by MG to *SMH* or *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

- B. MG does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.



## **Item 15 Custody**

MG shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written (or electronic) transaction confirmation notices and regular written (or electronic) summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

Please Note: To the extent that MG provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by MG with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of MG's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage MG to provide investment advisory services on a discretionary basis. Prior to MG assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming MG as the client's attorney and agent in fact, granting MG full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage MG on a discretionary basis may, at any time, impose restrictions, in writing, on MG's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe MG's use of margin, etc.)

## **Item 17 Voting Client Securities**

- A. MG does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact MG to discuss any questions they may have with a particular solicitation, but MG does not advise clients on substantive shareholder proposals or recommend positions in support or opposition to proposals contained in proxies.

## **Item 18 Financial Information**

- A. MG does not solicit fees of more than \$1,200 per client, six months or more in advance.
- B. MG is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. MG has not been the subject of a bankruptcy petition.











D.