

**Item 1 – Cover Page**



AULL & MONROE, INC.

**Aull & Monroe  
Investment Management Corporation  
CRD#: 104830**

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**March 13, 2024**

This Brochure provides information about the qualifications and business practices of Aull & Monroe Investment Management Corporation (“Aull & Monroe”). If you have any questions about the contents of this Brochure, please contact us at 251-342-3339. 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.

Aull & Monroe is a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communication we provide to you is information for your use in determining whether to hire or retain us as your Adviser or to continue to maintain a mutually beneficial relationship with us. Additional information about Aull & Monroe also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2 – Material Changes

Registered Investment Advisers are required to use the Brochure to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include the annual provision of a Summary of Material Changes (the “Summary”) reflecting any material changes to our policies, practices, or conflicts of interest made since our last required “annual update” filing. In the event of any material changes, such Summary is provided to all clients within 120 days of our fiscal year-end. Of course, the complete Brochure is available to clients at any time upon request.

Set forth below is the Summary of Material Changes to the Brochure since Aull & Monroe’s last annual updating amendment on March 23, 2023.

Date of Change	Description of Item						
March 13, 2024	<p><b>Item 5 – Fees and Compensation</b> was updated to reflect the following management fee table for Investment Advisory Services and Retirement Plan Advisory Services:</p> <table><tr><td>First \$1,000,000</td><td>1.00%</td></tr><tr><td>Next \$4,000,000</td><td>0.80%</td></tr><tr><td>Balance over \$5,000,000</td><td>Negotiable, not to exceed 1.00%</td></tr></table> <p><b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss</b> was updated to reflect how fixed income, mutual funds, and ETFs are generally evaluated and selected by Aull &amp; Monroe.</p> <p><b>Item 11 – Code of Ethics</b> was updated to reflect that Aull &amp; Monroe requires that employees wait until all client trades in a security have been effected prior to effecting a personal trade in the same security on the same day (subject to certain exemptions).</p>	First \$1,000,000	1.00%	Next \$4,000,000	0.80%	Balance over \$5,000,000	Negotiable, not to exceed 1.00%
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## Item 4 – Advisory Business

### Investment Advisory Services

Aull & Monroe Investment Management Corporation (“Aull & Monroe” or “we”), an SEC registered investment adviser was founded in Mobile, Alabama in 1990 by our principal owners, James P. Aull & W. Earl Monroe. Jamie L. Thuss joined the firm in 1997 and became a partner alongside Mr. Aull and Dr. Monroe in 2004. Since its inception Aull & Monroe has served our clients under the Investment Advisers Act of 1940 (the “Act”) and complies with the Act’s fiduciary standard of care. This standard requires that we act solely in your best interests when offering personal financial advice, including making investment decisions on your behalf. As a fee-based investment adviser, Aull & Monroe provides continuous investment management services to you based on your specific needs. Aull & Monroe specializes in the creation and management of custom portfolios based on factors pertaining to your personal situation and does not fit you into a “one-size fits all” portfolio. While neither Aull & Monroe nor its employees hold themselves out as financial planners, services provided include similar duties involved in financial planning such as reviewing your personal financial situation, developing a retirement policy, providing risk and tax management strategies in addition to implementing and ongoing review of your investment plan.

Since its inception in 1990, Aull & Monroe has grown through capital contributions, the reinvestment of earnings and new client relationships to reach over \$329,663,610 in discretionary assets under management as of December 31, 2023. Aull & Monroe does not manage assets on a non-discretionary basis.

Our investment philosophy is generally long-term and oriented toward a balanced portfolio of high-quality stocks and investment grade bonds, augmented by a cash reserve. We also manage all-stock portfolios as well as mutual funds and exchange traded funds. On behalf of our client partners, Aull & Monroe seeks superior relative returns over time through diversification, minimization of risk and the benefits of compounding.

Prior to engaging Aull & Monroe’s services, a client is required to enter into a written agreement with Aull & Monroe setting forth the terms and conditions under which services are provided (collectively the “Agreement”). As part of this Agreement, Aull & Monroe obtains a limited power of attorney from the client providing us with discretionary

authority. As a discretionary investment adviser, we will have the authority to supervise and direct the portfolio without prior consultation with you.

Notwithstanding the foregoing, clients may impose certain written restrictions on Aull & Monroe in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by considering each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ, and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Aull & Monroe.

#### Retirement Plan Advisory Services

The Employee Retirement Income Security Act of 1974 ("ERISA") sets forth rules under which Plan Fiduciaries may retain investment advisers for various types of services with respect to Plan assets. For certain services, Aull & Monroe will be considered a fiduciary under ERISA.

#### *Fiduciary Management Services*

Aull & Monroe serves as a Section 3(38) fiduciary investment advisor in our work with qualified retirement plans under the Employee Retirement Income Security Act ("ERISA"). We work closely with the other plan fiduciaries to develop an Investment Policy Statement, reflecting the investment objectives, policies, constraints and risk tolerance of the plan. Aull & Monroe uses this document as a guide to exercise discretionary investment decisions for the plan.

#### *Participant Education (Non-Fiduciary Services)*

For pension, profit sharing and 401(k) plan clients in self-directed plans for whom we have been engaged for the discretionary or non-discretionary management services described above, we may provide periodic educational support designed for the Plan Participants, if

provided for in our agreement with the client. The educational support will not provide Plan Participants with individualized, tailored investment advice.

#### IRA Rollover Considerations

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. If we recommend that you roll over or transfer your retirement assets into an account to be managed by us, such a recommendation creates a conflict of interest if we will earn a new (or increase our current) advisory fee because of the rollover or transfer. Investing in an IRA with us will typically be more expensive than an employer-sponsored retirement plan. You are under no obligation to roll over plan assets to an IRA managed by us or to engage us to monitor and/or manage the account while maintained at your employer.

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

The specific manner in which fees are charged by Aull & Monroe is established in a client's written Agreement with Aull & Monroe. Aull & Monroe typically charges its clients a fee for the investment advisory services offered based on a percentage of assets under management. In certain limited situations, Aull & Monroe may charge a fixed fee or bill for hourly charges based on a mutually agreed amount between the client and Aull & Monroe.

Management Fees will be payable beginning on the date the Agreement is executed or based on a date thereafter (e.g., when the account(s) are funded or invested) (the "Billing Inception Date"). Fees will be charged quarterly, in arrears, as of each third-month anniversary of the Billing Inception Date (each, a "Billing Period") based upon the value of the assets as of the last day of the Billing Period. Management fees will not be prorated for each capital contribution and withdrawal made to/from an account during the applicable Billing Period.

Aull & Monroe's annual asset-based fee schedule for a managed account, is as follows:

First \$1,000,000	1.00%
Next \$4,000,000	0.80%
Balance over \$5,000,000	Negotiable, not to exceed 1.00%

Aull & Monroe, on its own discretion, may negotiate and charge a fee less than that specified above based on certain situations (e.g., account composition such as more fixed income which generally requires less time and research to manage, anticipated future contributions, related accounts, etc.). Therefore, some clients may pay more or less than other clients for the same management services.

Either Aull & Monroe or the client may choose to terminate the Agreement at any time upon written notice as outlined in the Agreement. In the event of termination, we will assess any fees owed us for the portion of the Billing Period the account(s) were managed.

Aull & Monroe's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds, exchange traded funds and other investment pools also charge internal management fees, which are disclosed in a fund's prospectus or offering documents. Such charges, fees and commissions are exclusive of and in addition to Aull & Monroe's fee, and Aull & Monroe shall not receive any portion of these commissions, fees, and costs. Aull & Monroe as a matter of practice only invests in mutual funds with no load.

We do not use margin as an investment strategy. However, you may elect to borrow funds against your investment portfolio. For accounts with a margin balance, you are assessed the management fee based on the gross value of the assets in your account. In other words, your account value on which the fee is calculated is not reduced by the margin balance. This could create a conflict of interest where we may have an incentive to encourage the use of margin to maintain a higher market value and therefore receive a higher fee.

**Item 12** further describes the factors that Aull & Monroe considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Clients may elect to be directly billed for management fees due Aull & Monroe, or with written instruction and authorization, a client may elect to have the account custodian pay fees due to Aull & Monroe directly from the managed account. The debited fee will also be reflected on the monthly statement the client receives from the custodian. The account custodian is not responsible for verifying the accuracy of the billing statement prior to debiting the account.

#### Retirement Plan Advisory Services Fees

Retirement Plan Advisory Services Fees are an annual percentage fee of assets under management based on the following blended fee schedule:

First \$1,000,000	1.00%
Next \$4,000,000	0.80%
Balance over \$5,000,000	Negotiable, not to exceed 1.00%

Plan Sponsors can decide whether the fees will be paid directly by the Plan Sponsor or deducted from Plan assets. The specific fee arrangement, manner of collection, and timing of fee payments will be set forth in the Plan's written agreement with us. Our fees are separate from and additional to any third-party administrative, custodial, recordkeeping, or transaction fees incurred by the Plan and any Plan Participant accounts. We do not share in any part of these fees. Fees are negotiable in our sole discretion.

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

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



## **Item 7 – Types of Clients**

Aull & Monroe provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable organizations, corporations and other organized businesses, including sole proprietorships. Individual clients include trusts, estates, 401(K) participant accounts and IRAs of individuals and their family members. Aull & Monroe also provides educational services to some 401(K) plan participants.

Aull & Monroe requires clients to have a minimum investment of \$100,000 in assets under management. This may include investments in multiple accounts for individuals or entities. Exception to the minimum is provided for pension and profit-sharing plans with anticipated future contributions. In addition, Aull & Monroe, at its sole discretion, may make exceptions to the minimum when deemed appropriate.

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

Aull & Monroe uses an investment strategy for the long-term investor which can consist of high-quality stocks, exchange traded funds, mutual funds, master limited partnerships (“MLPs”) and/or investment grade bonds augmented by a cash reserve. Each portfolio is individually managed and tailored to reflect the client’s investment objectives, financial needs and tolerance for risk. As a result, asset allocations vary from client to client. On behalf of its client partners, Aull & Monroe seeks superior relative returns over time through diversification, minimization of risk and the benefits of compounding. In short, the aim is to maximize long-term returns while minimizing risk.

Aull & Monroe uses the attributes of Modern Portfolio Theory to incorporate selected securities into individual client portfolios. This is a quantitative risk management strategy in general use by professional asset managers throughout the world. Common stock investments are usually limited to large-and-medium capitalization companies with an established history of increasing earnings and dividends.

Fixed income investments may be used as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. We will generally evaluate and

select individual bonds or bond funds based on several factors including, without limitation, rating, yield and duration.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, without limitation, past performance, fee structure, portfolio manager, fund sponsor, overall ratings for safety and returns, and other factors.

As most portfolios are assembled for clients investing for the long-term. Aull & Monroe's investment strategy is based on the benefits of compounding over time. Occasional declines in the overall market are not viewed as a cause for concern but rather an opportunity to buy.

Aull & Monroe's strategy also calls for a very low rate of portfolio turnover. The turnover rate of accounts managed by Aull & Monroe is generally lower than that of the average asset manager. While Aull & Monroe buys and sells securities based on the perception of value, economic conditions, trends and client needs, they do not attempt to "time the markets" in relation to significant movements of assets into and out of common stocks.

### **Principal Risks of Investing**

All investments are inherently risky, and setting a goal to earn superior returns, by its very nature, entails varying degrees of risk taking. Investing in securities involves risk of loss that clients should be prepared to bear. Aull & Monroe uses several well-recognized methods to attempt to minimize risk. Portfolios may be diversified by including different classes of assets such as stocks, bonds and money market funds as well as through diversification among different industry groups within each asset class. However, diversification does not guarantee protection from loss. Performance could be hurt by:

- *Issuer risk.* Securities held in managed portfolios may decline in value because of changes in the financial condition of, or other events affecting, the issuers of these securities.
- *Equity risk.* Equity securities generally have greater price volatility than fixed income securities.
  - *Investing in growth stocks* - may involve greater price fluctuations and greater potential for loss than other types of investments.

- *Investing in income-oriented stocks* - may result in reduced income due to changes in dividend policies of, and capital resources available to, the company.
- *Fixed income/bond risk.* Rising interest rates will typically cause the prices of bonds and other debt securities to fall. Falling interest rates may also cause an issuer to redeem, call or refinance a security before its stated maturity. Longer maturity debt securities may be subject to greater price fluctuations than shorter maturity debt securities.
  - *Credit risk.* Credit risk is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
  - *U.S. government backed securities.* These securities are only backed by the U.S. Treasury or the full faith and credit of the U.S. government and guaranteed only as to the timely payment of interest and principal when held to maturity. The current market values will fluctuate with changes in interest rates. Securities issued by government sponsored entities and federal agencies are neither issued nor guaranteed by the U.S. government.
- *Market risk.* Prices of, and income generated by, securities may decline over short or extended periods due to general market conditions.
- *Management risk.* Aull & Monroe's opinion about the intrinsic worth of a company or security may be incorrect, purchases and sales may not be made timely in a client's account and the market may continue to undervalue a security.
- *Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, we will generally invest your portfolio in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to



risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940

- *Liquidity risk.* Aull & Monroe may not be able to sell a security in a timely manner or at desired prices.
- *Non-U.S. issuer risk and foreign exposure risk.* Foreign securities (including ADRs) and securities with significant foreign exposure may decline in value because of political, economic or market instability. Sometimes there is an absence of accurate information about foreign companies as well as exposure to unfavorable government actions, including expropriation and nationalization. Lack of uniform accounting, auditing and financial reporting standards, with less government regulation and oversight than U.S. companies may also increase risk.
- *MLP risk.* Aull & Monroe may recommend that portions of client portfolios be allocated to master limited partnerships, otherwise known as “MLPs.” An MLP is a publicly traded entity that is designed to provide tax benefits for the investor. In order to preserve these benefits, the MLP must derive most, if not all, of its income from real estate, natural resources and commodities. While MLPs may add diversification and tax favored treatment to a client’s portfolio, they also carry significant risks beyond more traditional investments such as stocks, bonds and mutual funds. One such risk is management risk-the success of the MLP is dependent upon the manager’s experience and judgment in selecting investments for the MLP. Another risk is the governance structure, which means the rules under which the entity is run. The investors are the limited partners of the MLP, with an affiliate of the manager typically the general partner. This means the manager has all of the control in running the entity, as opposed to an equity investment where shareholders vote on such matters as board composition. There is also a significant amount of risk with the underlying real estate, resources or commodities investments. Clients should ask us any questions regarding the role of MLPs in their portfolio.
- *Margin Risk.* We do not use margin as an investment strategy. However, you may elect to borrow funds against your investment portfolio. When securities are purchased, they may be paid for in full or you may borrow part of the purchase price from the account custodian. If you borrow part of the purchase price, you are engaging in margin transactions and there is risk involved with this. The securities held in a



margin account are collateral for the custodian that loaned you money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account to accomplish this. It is important that you fully understand the risks involved in trading securities on margin, including but not limited to:

- It is possible to lose more funds than is deposited into a margin account;
- The account custodian can force the sale of assets in the account;
- The account custodian can sell assets in the account without contacting you first;
- You are not entitled to choose which assets in a margin account may be sold to meet a margin call;
- The account custodian can increase its “house” maintenance margin requirements at any time without advance written notice; and
- You are not entitled to an extension of time on a margin call

## **Item 9 – Disciplinary Information**

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

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

Aull & Monroe has no other financial industry activities or affiliations to report.

## **Item 11 – Code of Ethics**

### Code of Ethics and Personal Trading

We have adopted a Code of Ethics (“the Code”), the full text of which is available to you upon request. Our Code has several goals. First, the Code is designed to assist us in complying

with applicable laws and regulations governing our duties to our clients. Pursuant to these fiduciary duties, the Code requires persons associated with us (owners, managers, and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for our associated persons. Under the Code's Professional Standards, we expect our associated persons to put the interests of our clients first, ahead of personal interests. In this regard, our associated persons are not to take inappropriate advantage of their positions in relation to our clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, our associated persons may invest in the same securities recommended to clients. Under the Code, we have adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

Because associated persons may invest in the same securities as those purchased in client accounts, associated persons are required to wait until all client trades in a security have been effected prior to effecting personal trades in the same security on the same day (subject to certain exemptions). The goal of this policy is to avoid any conflicts of interest that arise in these situations. However, in the event of other identified potential trading conflicts of interest, our goal is to place client interests first.

Consistent with the foregoing, we maintain policies regarding participation in initial public offerings ("IPOs") and private placements to comply with applicable laws and avoid conflicts with client transactions. Associated persons may not purchase IPOs and if they wish to invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

Finally, if associated persons trade with client accounts (i.e., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with our written policy.

## Item 12 – Brokerage Practices

### Best Execution and Benefits of Brokerage Selection

When given discretion to select the brokerage firm that will execute orders in client accounts, we seek “best execution” for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, we may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third-party research (or any combination), and may be used in servicing any or all of our clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

We recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. (“Schwab”), a FINRA registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of clients’ assets. We will also effect trades for client accounts at Schwab, or may in some instances, consistent with our duty of best execution and specific agreement with each client, elect to execute trades elsewhere. Although we may recommend that clients establish accounts at Schwab, it is ultimately your decision to custody assets with Schwab. We are independently owned and operated and are not affiliated with Schwab.

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab’s Cash Features Program. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker/dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek

“best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors.

Schwab Advisor Services provides us with access to its institutional trading, custody, reporting and related services, which are typically not available to Schwab retail investors. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them. These services are not soft dollar arrangements but are part of the institutional platform offered by Schwab. Schwab’s brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab Advisor Services also makes available to Aull & Monroe other products and services that benefit Aull & Monroe but may not directly benefit its clients’ accounts. Many of these products and services may be used to service all or some substantial number of Aull & Monroe accounts, including accounts not maintained at Schwab.

Schwab’s products and services that assist us in managing and administering clients’ accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide pricing and other market data; (iv) facilitate payment of Aull & Monroe’s fees from its clients’ accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Advisor Services also offers other services intended to help us manage and further develop our business enterprise. These services may include: (i) technology, compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. Schwab Advisor Services



may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### Directed Brokerage

In very limited instances, we may allow you to direct us to use a particular broker for custodial or transaction services on behalf of your portfolio. In directed brokerage arrangements, you are responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, if you direct brokerage, you should consider whether such designation may result in certain costs or disadvantages, either because you may pay higher commissions or obtain less favorable execution, or the designation limits your available investment options.

The arrangement that we have with Schwab is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, you acknowledge that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, if you choose to use the brokerage and/or custodial services of these alternative service providers, it can result in a certain degree of delay in executing trades for your account(s) and otherwise adversely affect management of your account(s).

By directing us to use a specific broker or dealer, clients who are subject to ERISA confirm and agree that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

### Aggregated Trade Policy

We typically direct trading in your accounts as and when trades are appropriate based on your Investment Plan, without regard to activity in other client accounts. However, from time to time, we may aggregate trades together for multiple client accounts, most often when these accounts are being directed to sell the same securities. If such an aggregated trade is not completely filled, Aull & Monroe will allocate shares received (in an aggregated purchase) or sold (in an aggregated sale) across participating accounts on a pro rata or other fair basis; provided, however, that any participating accounts that are owned by us or our officers, directors, or employees will be excluded first.

### **Item 13 – Review of Accounts**

Accounts under the continuous management of Aull & Monroe are reviewed formally at least monthly by a designated portfolio manager/officer of Aull & Monroe. Accounts are reviewed as to individual holdings in the account, appropriate asset allocation and sector diversification based on the individual clients stated objectives and any changes in market conditions. Performance of individual accounts is also compared to the modeled index which most closely matches an account's stated objective and adjusted as necessary.

While individual accounts are reviewed on a monthly basis, Aull & Monroe reviews recommended securities on an ongoing basis. Depending on the continuous research and analyses of the securities, changes are considered for the individual portfolios holding such securities or for using any cash reserve for investment in new securities.

Clients of Aull & Monroe will receive trade confirmations as well as at least quarterly statements directly from the qualified custodian (i.e. bank trust department or broker-dealer) of the account held in their name. Per the client's request, these "mailings" may be delivered to them electronically via the custodian. In addition to the custodial reports, Aull & Monroe delivers a more detailed written report to the client on a quarterly basis providing an inventory of the account holdings, analysis of the account since its inception and how it has performed against a modeled index (i.e. S&P 500 or Balanced Index) comparable to the accounts stated objective. Clients are asked to notify Aull & Monroe immediately regarding any changes to their financial situation or investment objectives and encouraged to meet for a formal review of their portfolio at least annually.

## Item 14 – Client Referrals and Other Compensation

As noted above, we receive an economic benefit from the Custodians in the form of support products and services they make available to us and other independent investment advisors whose clients maintain accounts with them. These products and services, how they benefit our firm, and the related conflicts of interest are described in **Item 12 - Brokerage Practices**. The availability of the Custodians' products and services to us is based solely on our participation in the Programs and not in the provision of any particular investment advice. Neither the Custodians nor any other party is paid to refer clients to us.

## Item 15 – Custody

Schwab is the custodian of nearly all our client accounts. However, from time to time, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide you with confirmations of trading activity, tax forms and at least quarterly account statements. You are advised to review this information carefully, and to notify us of any questions or concerns. You are also asked to promptly notify us if the custodian fails to provide statements on each account held.

From time to time, we will provide additional reports. We urge you to compare the account balances reflected on these reports to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting and pending trades.

## Item 16 – Investment Discretion

As described above under **Item 4 - Advisory Business**, we manage portfolios on a discretionary basis. This means that we will not obtain specific consent from you for each transaction we place on your behalf. For discretionary accounts, you will execute a Limited Power of Attorney ("LPOA"), giving us the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on your behalf (depending on the custodian), and the withdrawal of advisory fees directly from your account(s). We then direct investment of your portfolio using our discretionary

authority. You may limit the terms of the LPOA to the extent consistent with your investment advisory agreement with us and the requirements of your custodian. The discretionary relationship is further described in the investment advisory agreement between us.

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

It is the policy of Aull & Monroe to vote client proxies on their behalf. Where Aull & Monroe votes proxies for clients, the firm uses its fiduciary obligations of prudence and loyalty to vote in the best interests of its clients. Aull & Monroe considers, on a case-by-case basis, those factors that may affect the long-term value of the underlying investment on behalf of the beneficial owners, in this case, all clients including participants of ERISA qualified retirement plans.

Aull & Monroe has a contractual arrangement with a third-party vendor to vote proxies using a secure proxy management platform. This service allows Aull & Monroe an effective method of voting and records retention for all proxies, making documentation easily accessible should clients wish to view a specific proxy vote.

You may obtain a free copy of Aull & Monroe's complete proxy voting policies and procedures upon request. Clients may also obtain information from Aull & Monroe about how Aull & Monroe voted any proxies on behalf of their account(s).

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Aull & Monroe's financial condition. Aull & Monroe 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.