

# **Tectonic Advisors LLC**

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**March 18, 2024**

## **Form ADV Part 2A Brochure**

Tectonic Advisors LLC (hereinafter "Tectonic Advisors") is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Tectonic Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (713) 250-4200. 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 Tectonic Advisors LLC is available on the public disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

On March 18, 2024, we submitted our annual updating amendment filing for fiscal year 2023. There were no material changes to report.

We will review and update, as needed, our brochure at least annually to make sure that it remains current.

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#### **Advisory Business - Item 4**

Tectonic Advisors LLC ("Tectonic Advisors") is a registered investment adviser based in Frisco, Texas. We are a limited liability company formed under the laws of the State of Texas. We have been providing investment advisory services since 2006.

Tectonic Advisors LLC is owned by Tectonic Financial Inc. Arthur Haag Sherman (CRD#2813406) is the principal owner of Tectonic Financial Inc. Stephen Mangold (CRD# 2359974) is our Chief Compliance Officer.

#### **Assets Under Management**

As of December 31, 2023, Tectonic Advisors manages discretionary assets under management of \$3,500,373,228 and non-discretionary assets under management of \$101,884,352.

#### **Portfolio Management**

Tectonic Advisors offers investment advisory services to individuals, banking institutions, corporations, trusts, and pension plans in three programs: (1) Separately Managed Account Program, (2) T-Bank Program, Advisor to Collective Investment Funds and (3) Model Portfolio Advisor Program.

#### **Separately Managed Account Program ("SMA Program")**

Tectonic Advisors offers discretionary portfolio management services to individuals, corporations, trusts and pension plans. Tectonic Advisors invests Client's assets in securities that it deems consistent with clients stated investment objectives and according to the Investment Policy Statement executed by the Client.

Tectonic Advisors offers portfolios largely, if not entirely, comprised of exchange-traded funds (ETFs) and other securities, in the SMA Program ("Tectonic portfolio"). Tectonic portfolio strategies range from a conservative Capital Preservation, to a more aggressive all US Equity, portfolio. Tectonic portfolios generally use a diversified asset allocation approach, with a proprietary dynamic process that re-balances the portfolios based on certain criteria with a goal of mitigating risk and providing a consistent return commensurate or better than the portfolio's benchmark.

Client assets in the Tectonic portfolios will be invested in exchange-traded funds (ETFs), index funds, exchange-traded notes (ETNs), master limited partnerships, mutual funds and from time to time client portfolios may include other securities (such as stocks, bonds and other securities).

Clients in consultation with Tectonic Advisors will execute an Investment Advisory Agreement and select a strategy that will be described within the Client's Investment Policy Statement. Minimum investments vary by strategy. Clients will pay an investment advisory fee to Tectonic Advisors as well as the expenses attributable to the ETF, index fund, ETN, mutual fund or other security as well as custodial and other costs (such as trading or administration costs). Client may impose reasonable restrictions on the management of their account subject to the approval of Tectonic Advisors.

Clients will be directed to utilize the custody and execution services of Charles Schwab & Co., Inc. ("Schwab"), or such other custodian as Tectonic Advisors may select and which is suitable for the client.

The minimum investment required to establish an SMA Program account is \$250,000. Tectonic Advisors may waive the minimum account size at its sole and absolute discretion.

Tectonic Advisors may provide customized allocations. Customized allocations may include the use of third-party Investment Managers. Clients are instructed to review the Form ADV Part 2A of each third-party Investment Manager recommended.

#### **T-Bank Program**

Tectonic Advisors offers discretionary advisory services to its affiliated bank, T Bank, N.A. (T Bank) for its Collective Investment Funds ("CIF"). These funds are used by qualified plans (i.e., 401K, etc.) and common trust funds for personal assets (i.e., individual, joint, etc.). Investors in the T Bank funds are generally clients of affiliated advisory firm, Cain Watters & Associates, L.L.C. ("CWA") *See Financial Industry Activities and Affiliations for additional information regarding conflicts*. The funds may also include investors who are not clients of CWA.

#### **Model Portfolio Advisor Program**

Tectonic Advisors, in conjunction with its affiliated investment adviser, Cain, Watters & Associates ("CWA"), offers CWA's clients access to the Unified Managed Account ("UMA") Platform. UMAs are single accounts in which a client will have multiple managers and asset classes. Each manager and/or asset class can be managed via a separate account or "sleeve" of the account. Depending on a variety of factors including, but not limited to client risk tolerance and client asset size, a UMA account could include one or more money managers in the equity, fixed income, and/or alternatives space, that are run in a separate account or "sleeve". The rest of the UMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities, individual bonds, pooled investments, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs. The transactions in Client accounts will be executed by Charles Schwab & Co., Inc. ("Schwab"), which will also receive a portion of the fee for trade execution services.

The UMA Platform provides clients with access to a diversified suite of certain portfolio models ranging from preservation of capital to aggressive growth. These models were developed in conjunction with one or more professional independent money managers that manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives.

Tectonic Advisors operates technology platforms that are used to manage the models, including trading, rebalancing, billing, performance reporting, and certain other administrative services. In addition, Tectonic Advisors provides asset allocation advice, and model provider due diligence and recommendations to CWA regarding model construction and management.

The UMA program requires the approved model providers to meet certain due diligence criteria established by CWA and to operate pursuant to certain operational and technological constraints as prescribed by Tectonic Advisors and/or the custodian.

Given differences in the ways in which particular clients' individual circumstances are identified and in which those circumstances are interpreted by different Associated Persons of CWA, different clients having the same or closely related personal circumstances and risk profiles may receive somewhat

different asset allocation recommendations and, as a result, different investment manager or mutual fund recommendations.

UMA Platform clients may request that CWA and Tectonic Advisors consider certain investments offered on the Capital Integration Systems LLC ("CAIS") Alternative Investments Portal as potential investments for the client's UMA Account. In the event that CWA and Tectonic Advisors determine that one or more such investments may be appropriate for the client's UMA Account, the client will be provided a copy of such investment's offering documents, and CWA and Tectonic Advisors will assist the client in reviewing and completing such offering documents. However, neither CWA nor Tectonic Advisors will have discretionary authority to select any CAIS investment on behalf of a UMA client; rather, CWA and Tectonic Advisors will be authorized only to make recommendations regarding any such CAIS investment, and each such client will be solely responsible for the decision to invest in any CAIS investment. Please refer to important risk disclosures pertaining to alternative investments in Item 8 below.

### **Family Office Services**

Tectonic Advisors provides family office services that are uniquely designed to help families coordinate their multiple forms of capital using a holistic and collaborative team approach combining the many elements inherent to a successful life with wealth. Our collective experiences support our belief that a dedicated team of independent and objective professionals working in collaboration with each other in partnership with the family is the best way to serve families of significant wealth. Such a relationship enhances Tectonic Advisors' ability to advise families on the opportunities and risks that their wealth presents allowing families to make better, educated decisions.

Initially, Tectonic Advisors meets with the prospective Client to obtain information about their overall situation. This information is used to assist Tectonic Advisors in understanding a Client's needs and the scope of services that are most appropriate for the Client's situation. The family office services Tectonic Advisors will provide will be specifically described in the Family Office Services Agreement you enter into with our firm. Additional services beyond the scope of the Family Office Services Agreement may be provided under separate agreement(s) and may include a separate fee as mutually agreed to by Tectonic Advisors and the Client.

Our family office services vary by family and occasionally within families, but may include the following:

- Information Management and Coordination – We organize key information and the coordinate such information with the family, the family's accountant, attorney, insurance agents, and other key advisors.
- Estate, Gift & Trust Planning – We provide explanations, summaries, and illustrations of existing and proposed estate planning documents and strategies, including recommendations and education on additional strategies, considerations for making updates periodically and further coordination with family's tax and legal advisor(s) to implement agreed upon strategies or updates.
- Income Tax Planning – Includes planning for the minimization of tax liabilities, including asset location, tax loss harvesting and gain minimization planning, charitable asset selection, facilitation of income tax payments and coordination with family's tax advisor(s).
- Financial Planning – Includes planning related to cash flow analysis, capital sufficiency modeling, lifestyle goals, credit usage, major asset purchases or liquidations, and significant life events.

- **Philanthropic Planning** – Includes defining philanthropic goals, education on philanthropic vehicles and strategies for maximizing the benefits of philanthropy across the family and the organizations they choose to benefit.
- **Education** – Includes both individual and group-based learning sessions around various planning, tax, investment and other topics with an intention of growing not only the family's financial capital, but non-financial capital as well. These topics while commonly focused on younger generations are generally available across all generations.
- **Family Meetings** – Includes facilitation of family meetings often across multiple generations around shared ownership, philanthropy, decision making or shared goals and objectives.
- **Assistance with Trust Administration** – Includes advice around trustee selection and ongoing guidance, general understanding of trust purposes and provisions. Often involves education for grantors, trustees, and beneficiaries on their respective roles and responsibilities.
- **Consolidated Reporting Services** – Allows the family to customize how their assets are reported by offering a view across multiple accounts or entities in a single statement and/or to segregate assets within accounts. This service may include assets not generally managed by Tectonic Advisors such as closely-held private family assets. Allows the family and their advisors to understand and monitor the total family balance sheet and provide comprehensive and integrated advice from a vantage point inclusive of the family's entire wealth landscape. This may require an additional fee depending on the nature and complexity of the non-managed assets being reported on. Any additional fees will be mutually agreed to in advance.
- **Asset Protection Planning and Review** – Includes review and discussion of strategies that may avoid or minimize a portion of a family's balance sheet at risk. These strategies will be evaluated on the benefits they may provide against the degree and likelihood of loss and the complexity and administration they may require to achieve such protections.
- **Liability Risk Management Planning and Review** – Includes advice on a combination of mitigation strategies including the use of special purpose entities, trusts and/or various insurance tools. We will review the family's assets and liabilities to determine: location, titling and ownership structure. We will review existing or proposed policies and, after receiving your permission, we may facilitate reviews with unaffiliated third-party professionals. Tectonic Advisors does not receive compensation for recommending or placing insurance nor do we receive compensation from such third parties with whom we may involve to review your situation.
- **Estate Tax Liquidity Planning and Review** – Includes determination of estate tax liquidity needs and determination of potential liquidity sources including asset liquidations and life insurance. We will review existing or proposed policies and, after receiving your permission, we may facilitate reviews with unaffiliated third-party professionals. Tectonic Advisors does not receive compensation for recommending or placing insurance nor do we receive compensation from such third parties with whom we may involve to review your situation.

The advice we propose is designed to achieve the Client's desired goals which may require revision to meet changing circumstances. Our recommendations are based on your situation from the information provided to the firm. Families may choose to accept or reject our recommendations. We should be notified promptly of any change to your situation, goals, objectives, or needs.

#### **Due Diligence Provider**

Tectonic Advisors provides research and due diligence services to our affiliate, Cain Watters and Associates, L.L.C. ("CWA") related to certain investment programs CWA recommends to its clients. Currently these consist of a Pooled Investment Program (collective and common trust funds), Separately

Managed Account Program (SMA), Multi-Manager Account Program (MMA), Unified Managed Account Program (UMA), and Participant Directed and Retirement Investment Program.

These services include the following but may vary depending upon the program:

- a. Asset allocation analysis;
- b. Research on investments and securities including alternative forms of investments (i.e. commodities or real estate, etc.);
- c. Due diligence research on investment, securities and asset management companies and managers;
- d. Periodic monitoring of investment, securities and asset management companies and managers;
- e. Assistance in selection of investment, securities and asset management companies and managers;
- f. Research on specific investments and securities in whatever form they may take;
- g. General research about investments, securities and asset allocation;
- h. Global investment services.

#### **Fees and Compensation - Item 5**

Tectonic Advisors fees are negotiable.

##### **Separately Managed Account Program (SMA Program) Fees**

The Advisor's annual fee for investment management services provided in the SMA Program shall be based upon a percentage (%) of the market value of the assets under management. This annual fee shall be calculated by Tectonic Advisors and be prorated and paid quarterly, in arrears, based upon the account average daily balance for the quarter. The fee cannot be raised without prior written notification to the Client. Fees will be deducted directly from the client's account. Clients will provide authorization to deduct fees upon account opening and client may revoke this authorization with upon written notice to Custodian and Tectonic Advisors.

For the SMA program, Tectonic Advisors charges an annual fee of up to 1.00% of assets under management. The fee is negotiable depending on the complexity of client goals and objectives and level of services rendered. The exact fee payable by the client will be clearly listed in the advisory agreement signed by the firm and the client. Investors accessing Tectonic Advisors strategies through the Model Portfolio Advisor Program may pay materially different fees for the same strategies.

In addition to Advisor's annual investment management fee, the Client shall also incur fees and expenses charged by mutual funds or exchange traded funds, third party advisory fees, and trading/custodial fees:

1. In addition to the Advisors annual fee, each mutual fund or ETF is subject to investment advisory, administrative, distribution, transfer agent, custodial, legal, audit and other customary fees and expenses related to investment in investment companies as set forth in the prospectuses of the funds. These fees and expenses are paid by the funds, but ultimately are borne by clients as fund shareholders and are in addition to the Advisors annual fee. The securities, including mutual funds and ETFs are available outside of Tectonic Advisors accounts with paying the Advisors annual fee.



2. In some cases, Tectonic Advisors may customize allocations that include third-party Investment Managers. Clients will generally execute separate investment advisory agreements with the third-party Investment Managers and each separate Manager may charge an advisory fee.

3. The Advisors annual fee does not cover certain costs or charges imposed by the custodian or other third parties, including brokerage commissions, mark-ups/mark-downs, odd-lot differentials, exchange fees, contingent redemption fees, and transfer taxes mandated by law. Other custodial charges may be assessed for special services elected by the clients, including electronic fund and wire transfer fees, certificate delivery fees and reorganization fees.

#### **T-Bank Program Fees**

The fees paid by T Bank to Tectonic Advisors related to providing investment advisory services are paid out of the 65 basis points trust fee charged by T Bank to T-Bank client accounts. The bank will pay a portion of this fee to Tectonic Advisors, and the qualified custodians engaged to provide services in the pooled investment program. Tectonic Advisors will receive 54 basis points for investment advisory services based upon the total value of the assets committed to the pooled investment program including cash allocation.

#### **Model Portfolio Advisor to UMA Program Fees**

With respect to the Unified Managed Account Program (UMA) Platform, clients will be charged the following fees: an overlay management fee payable to Tectonic Advisors, an advisory fee payable to CWA, a model provider fee, and an asset-based fee (not based on the number of transactions in the client's account) payable to Charles Schwab & Co., Inc. ("Schwab") for custody and execution services:

#### **Fees paid to Tectonic Advisors**

Tectonic Advisors, in addition to providing due diligence services to CWA, also serves as a manager. Tectonic Advisors receives a fee of up to 35-basis points, or 0.35% from UMA accounts for assets allocated to the UMA program. Tectonic Advisors' fee is in addition to the fee that CWA receives.

#### **Fees Paid to CWA**

CWA, an affiliate of Tectonic Advisors, receives a fee of up to 100-basis points, or 1.00% from UMA accounts. CWA's fee is in addition to the fee that Tectonic Advisors receives.

#### **Model Provider Fee**

The Model Provider receives a fee of up to 0.70%. The Model Provider may be an investment adviser, a mutual fund, an exchange traded fund or a pooled investment vehicle. The Model Provider Fee reflects the impact of any Model Provider fees applicable to the selected model. For example, if a Model Provider were to charge a fee of 1.00%, and 10% of the respective model were allocated to the Model Provider, and no other Model Providers were applicable to the Model, the impact on the Total Fee for the Model would be 0.10% (1.00% X 10% allocation = 0.10% of total account). If the client elects the tax overlay management services, there will be an additional fee of 10 basis points.

#### **Fees Paid to Schwab**

Schwab receives an additional fee of up to 10 basis points for trade execution and custodial services.

All fees are negotiable and the exact fee paid by the client will be clearly set forth in the Statement of Investment Selection and the Unified Managed Account Program Agreement entered into by Tectonic Advisors, CWA, and the client.

The UMA Program Fee will be debited from the Client's Accounts on a quarterly basis in arrears. The fee is debited from the client's account at the instruction of Tectonic Advisors, at the end of each quarter based upon the average daily balance of the account. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Advisory fees for alternative investments offered on the Capital Integration Systems LLC ("CAIS") Alternative Investments Portal will be based on quarter end value.

There may be additional fund fees for mutual funds, ETFs and private funds, depending on the model chosen. These fees are deducted at the mutual fund, ETF or private fund level and are not directly invoiced to client accounts. They do, however, represent an additional cost to the performance of the account. Detailed information on acquired funds fees in each model is available to the client so that they can assess their overall fees.

#### **Family Office Services Fees**

The negotiable fee for Tectonic Advisors' family office services is based on a fixed schedule and is dependent on the scope, complexity, time commitment, and resources expected to be devoted to managing, advising on, and administering your assets, investment real estate, businesses, insurance products and policies, holdings of restricted stock/options, partnerships, hedge funds, private equity, and other alternative holdings, annuities, retirement plans, and all other investment assets. The exact fee and fee payment arrangement will be listed in the advisory agreement signed by our firm and the client.

The family office services fee is in addition to any asset-based fees paid by the client in connection to asset management services that are delivered pursuant to the terms of a separate agreement.

The fee will be prorated and billed monthly, in arrears, unless otherwise agreed in writing by the parties. The fixed fee may be adjusted annually by our firm, in our sole discretion on thirty (30) days' notice to Client. Any such fee adjustments shall become effective unless otherwise objected to by Client within the notice period.

The Family Office Services Agreement may be terminated for any reason by us or the client within five (5) business days after entering into the agreement without cost and penalty. Thereafter, either party may terminate the Agreement at any time by providing thirty (30) days' advance written notice to the other party. Fees will be prorated to the date of termination and any unearned pre-paid fees will be promptly refunded to Client.

#### **Due Diligence Provider Fees**

Tectonic Advisors receives a fee under the terms of an agreement with third party investment advisors (including affiliate CWA) for due diligence, investment research regarding investment managers, mutual funds, ETFs, and other investment products as required. The amount of the fee paid to Tectonic Advisors by the third-party investment advisor is generally based on total assets in the third-party advisor's various recommended investment programs, scope of due diligence provided, degree of oversight required for each program and any new programs the third-party advisor requests be

reviewed or analyzed. This fee is paid at least on a quarterly basis. The amount of the fee is reviewed on at least an annual basis.

Tectonic Advisors does not receive any fees from investment managers, custodians, or overlay managers associated with the models it provides due diligence services on.

### **Compensation for the Sale of Securities and Insurance Products**

Tectonic Advisors is related to HWG Insurance Agency, LLC, an insurance agency, and Sanders Morris LLC, a dually registered investment adviser and broker dealer, through common control. Additionally, Associated Persons of Tectonic Advisors may sell securities and/or insurance products through these entities for commission-based compensation. Clients are instructed that the fees paid to Tectonic Advisors for advisory services are separate and distinct from the commissions earned by personnel for placing the client in securities and/or insurance products in their capacities as registered representatives and/or licensed insurance agents. Clients to whom Tectonic Advisors offers advisory services are informed that they are under no obligation to use persons associated with HWG Insurance Agency, LLC and Sanders Morris LLC for insurance or securities brokerage services and they may use the insurance or securities brokerage firm and agent of their choice. These relationships are described in more detail in Item 10 of this brochure.

### **IRA Rollover Considerations**

As a normal extension of financial advice, we provide education or recommendations related to the rollover of an employer-sponsored retirement plan. A plan participant leaving employment has several options. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from us.

An Associated Person who recommends an investor roll over plan assets into an Individual Retirement Account ("IRA") may earn an asset-based fee as a result, but no compensation if assets are retained in the plan. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA. In most cases, fees and expenses will increase to the investor as a result because the above-described fees will apply to assets rolled over to an IRA and outlined ongoing services will be extended to these assets.

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 interests and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

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

Performance based fees are based on a share of capital gains on or capital appreciation of the Client's assets. Tectonic Advisors and its Associated Persons do not charge performance-based fees.

### **Types of Clients - Item 7**

Tectonic Advisors' clients are Investment Advisory Firms, including an affiliated firm, banking institutions, platform program providers, individuals, corporations, trusts and pension plans.

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

#### **Methods of Analysis and Investment Strategies**

Tectonic Portfolio strategies are designed to seek returns from global markets that are in excess, over full market cycles, of balanced global stock and bond portfolios with similar risk. Tectonic Advisors' proprietary sentiment and momentum triggers aim to reduce the downside risk of idiosyncratic market events for which there is no historical precedent. Each strategy seeks to achieve its investment objectives by investing in a wide variety of asset classes creating diversified portfolios. Each strategy is then dynamically managed, utilizing rebalancing disciplines based on certain criteria. ETFs selected for inclusion in the portfolio are based on a variety of factors, which may include: investment or sector focus of the ETF, portfolio fit, ETF sponsor and liquidity of the underlying investments and, thus, the ETF itself, among other factors.

Investment managers and mutual funds included on Tectonic Advisors' approved lists ("Approved Funds" and "Approved Managers") are recommended based on certain quantitative criteria. The criteria will include length of track record, performance levels, amounts invested or under management ("quantitative criteria"), and certain qualitative criteria. Qualitative criteria may include the consistency of investment style, employee turnover, efficiency and capacity. Efficiency and capacity is gathered and evaluated by Tectonic Advisors concerning various aspects of the fund's or manager's business. Tectonic Advisors also conducts on site examinations as needed of investment managers and evaluates the results. Investment managers and mutual funds included in databases utilized by Tectonic Advisors are reviewed periodically against Tectonic Advisors' initial quantitative criteria to determine whether a manager or fund is eligible for consideration as an additional Approved Fund or Approved Manager.

Approved Managers and Approved Funds are reviewed periodically to determine whether they continue to meet quantitative maintenance criteria adopted by Tectonic Advisors or when market conditions or specific issues with a Manager or Fund warrant. Any Approved Fund or Approved Manager that fails to meet the Provider's and Tectonic Advisors' maintenance criteria is first placed on a watch list then potentially recommended for removal.

Tectonic Advisors, uses its Approved Funds and Approved Managers list to make investment decisions for all of its Investment Portfolio Management and Due Diligence Provider Services.

#### **Risk of Loss**

Investments made by Tectonic Advisors, and/or Approved Managers and/or Investment Funds, are subject to investment loss. The following risk of loss discussion includes not just investments made by Tectonic Advisors directly, but also investments made by Investment Managers and/or contained in Investment Funds.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry

different types and degrees of risk. Clients should familiarize themselves with the risks involved in the particular market instruments they intend to invest in. The discussion below does not purport to be a complete enumeration or explanation of the risks involved in the Advisor's investment programs. As the Advisor's investment programs develop and change over time, clients may be subject to additional and different risk factors.

**Investments May Lose Value:** There can be no assurance that a Fund will achieve its investment objectives, and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested in a Fund. An investment in a Fund may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

**Interest Rate Risk:** A Fund that invests in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** A Fund, that invests in bonds and other fixed income securities, is subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Futures and Options in Funds:** Funds may invest in options and futures on securities, indices and interest rates for the purpose of efficient portfolio management. Also, Funds may invest in futures, options or forward foreign exchange contracts to hedge market and currency risks. Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Sector Risk:** Funds which concentrate their portfolio in a specific sector may carry a higher degree of risk due to lower diversification and sector-specific risks. Because these investments are limited to a relatively narrow segment of the economy, the Funds' investments are not as diversified as most funds. This means that these Funds tend to be more volatile than other funds and their portfolio values can increase or decrease more rapidly. The performance of each Fund may differ in direction and degree from that of the overall stock market.

**Small Capitalization:** Funds which include smaller capitalization companies, may involve greater risk than Funds investing in larger, more established companies. For example, small capitalization companies may have limited product lines, markets and financial or managerial resources. As a result, price movements in securities of smaller capitalization companies may be more volatile. Transaction costs in securities of smaller capitalization companies can be higher than those of larger capitalization companies and there may be less liquidity.

**Non-Investment Grade Debt:** Credit risk is more pronounced for investments in fixed-income securities that are rated below Investment Grade or which are of comparable quality. The risk of default may be greater and the market for these securities may be less active, making it more difficult to sell the securities at reasonable prices, and also making valuation of the securities more difficult. A Fund may incur additional expenses if an issuer defaults and the Fund tries to recover some of its losses in bankruptcy or other similar proceedings.

**Foreign Risks:** Investment in ETFs or Mutual Funds that hold securities of foreign issuers may involve certain risks that are greater than those associated with investment in securities in US issuers. These include risks of adverse changes in foreign economic, political, regulatory, and other conditions: changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); differing accounting, auditing, financial reporting, foreign taxes, and legal standards and practices; differing securities market structure; differing trading and settlement practices; ownership restrictions, and higher transaction costs.

**Emerging Market Risks:** Emerging Market Risks and other risks (e.g. nationalization, expropriation or other confiscation of assets of foreign issues) are greater for those ETFs or mutual funds investing in companies tied economically to emerging countries, the economics of which tend to be more volatile than the economics of developed countries.

**Geopolitical/Disruption of Market Risks:** Geopolitical events may adversely affect global economies and markets and thereby decrease the value of an/or ease of trading those ETFs or mutual funds invested in those affected markets. Those events as well as other changes in foreign and domestic economic and political conditions could adversely affect the value of the strategy's investments.

**Currency Risks:** Fluctuations in exchange rates may adversely affect the value of ETFs or mutual funds that hold foreign currency holdings and investment denominated in foreign currencies.

**Commodities Risks:** Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including but not limited to worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing. Commodities investments may also involve unique risks inherent to investing in derivatives which may include basis, roll, liquidity and regulatory risks. A detailed explanation of the risks is available in the prospectus of the respective commodity fund. Commodity pools may be subject to different regulatory requirements than traditional funds governed by the Investment Company Act of 1940.

**Hard Assets Risks:** The production and distribution of hard assets, such as precious metals, oil and gas, real estate and/or agricultural commodities may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic financial instability, hard asset securities and

other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuation than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate and conversely, in times of falling hard asset prices, such securities may suffer a greater price decline.

**Real Estate Risks:** Real estate-related investment (and the ETFs or mutual funds that hold them) may be adversely affected by factors affecting the real estate industry which may include changes in interest rates and social and economic trends. Real Estate Investment Trusts (REITs) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the ERITs manager, prepayments and defaults by borrowers, adverse changes in tax laws, and with respect to US REITs, their failure to qualify for the special tax treatment granted to TEITs under the Internal Revenue Code of 1986 and/or to maintain exempt status under the Investment Company Act.

**MLP Risks:** Investments in MLPs involve risks different from those of investing in common stock including risks related to limited control and limited rights to vote on matters affecting the MLP, risks related to potential conflicts of interest between the MLP and the MLP's general partner, cash flow risks, dilution risks and risks related to the general partner's limited call right. MLPs are generally considered interest-rate sensitive investments. During periods of interest rate volatility, these investments may not provide attractive returns. Depending on the state of interest rates in general, the use of MLPs could enhance or harm the overall performance of the Portfolio.

**MLP Tax Risks:** MLPs, typically, do not pay U.S. federal income tax at the partnership level. Instead, each partner is allocated a share of the partnership's income, gains, losses, deductions and expenses. A change in current tax law or in the underlying business mix of a given MLP could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would result in such MLP being required to pay U.S. federal income tax on its taxable income. The classification of an MLP as a corporation for U.S. federal income tax purposes would have the effect of reducing the amount of cash available for distribution by the MLP. Thus, if any of the MLPs owned were treated as corporations for U.S. federal income tax purposes, it could result in a reduction of the value of your investment and lower income, as compared to an MLP that is not taxed as a corporation.

**Exchange Traded Funds:** Diversification does not ensure a profit and may not protect against loss in declining markets. Investors should refer to the individual ETF prospectus for a more detailed discussion of the specific risks and considerations for an individual ETF. ETFs may have underlying investment strategy risks similar to directly investing in commodities, bonds, real estate, international markets or currencies, emerging growth companies, or specific sectors. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. Due to their narrow focus, sector-based investments typically exhibit greater volatility. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance. The risk of loss in trading commodities and futures can be substantial. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you.



**Illiquidity in Certain Investments:** Certain investments, while publicly traded, may have limited liquidity. Investments with limited liquidity (such as bonds that do not trade frequently, small capitalization stocks, structured investments, etc.) can make it difficult to sell such investments, particularly during times of market volatility and/or stress. Further, the liquidity of a particular ETF will be impacted by: (a) the general liquidity of the ETF itself and (b) the liquidity of the underlying investments that comprise the ETF. Market conditions could create a situation where an ETF in Tectonic Advisors' portfolios have limited liquidity or greater volatility, based on these and other factors.

**Important Disclosures about the Capital Integration Systems LLC Investments.**

In addition to reviewing the risk disclosure contained herein, clients participating in the UMA Program with respect to certain alternative investments available to them through the Capital Integration Systems LLC ("CAIS") Portal should closely read the relevant prospectus or private placement memorandum prior to investing. Such documents are intended to include all material risks of such investments, and are hereby incorporated herein by reference.

- **Alternatives Risk:** Non-traded REITs, business development companies, limited partnerships, and direct alternatives are subject to various risks such as devaluation based on adverse market conditions and may not be suitable for all investors. A prospectus that discloses all risks, fees, and expenses may be obtained from your investment adviser representative. Read the prospectus carefully before investing. Investors considering an investment strategy utilizing alternative investments should understand that alternative investments are generally considered speculative in nature; and, such investments involve a high degree of risk, particularly if concentrating investments in one or few alternative investments.
- **Risks Associated with Investing in Private Funds:** Private investment funds are not registered with the Securities and Exchange Commission and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory restrictions and oversight to which other issuers are subject. There may be little public information available about their investments and performance. Moreover, as sales of shares of private investment companies are generally restricted to certain qualified purchasers, it could be difficult for a client to sell its shares of a private investment company at an advantageous price and time, and investments in a private investment company routinely include a "lock up" period, during which investors are not permitted to withdraw their funds from such private investment company. Since shares of private investment companies are not publicly traded, from time to time it may be difficult to establish a fair value for the client's investment in these companies. In addition, private investment companies may employ leverage, including the use of borrowed funds. While such strategy may increase the opportunity to achieve higher returns on the amounts invested, it also increases the risk of loss.

**Model Allocations:** Certain third-party models (including the St. James Core Equity Strategy) may include higher allocations to cash or cash equivalents. In such cases, the performance of these positions will lag behind market performance in rising markets. The firm treats cash and cash equivalents as an asset class. Accordingly, unless otherwise agreed in writing, all cash and cash equivalent positions (e.g., money market funds, etc.) are included as part of assets under management for purposes of calculating the firm's advisory fee. While assets are maintained in cash or cash equivalents the firm's advisory fee could exceed the interest paid by the client's cash or cash equivalent positions.



**Recommendation of Other Advisers:** In the event we recommend a third-party investment adviser to manage all or a portion of your assets, we will advise you on how to allocate your assets among various classes of securities or third-party investment managers, programs, or managed model portfolios. As such, we will primarily rely on investment model portfolios and strategies developed by the third-party investment advisers and their portfolio managers. If there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark, we may recommend changing models or replacing a third-party investment adviser. The primary risks associated with investing with a third party is that while a particular third party may have demonstrated a certain level of success in the past; it may not be able to replicate that success in future markets. In addition, as we do not control the underlying investments in third party model portfolios, there is also a risk that a third party may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. To mitigate this risk, we seek third parties with proven track records that have demonstrated a consistent level of performance and success over time. A third party's past performance is not a guarantee of future results and certain market and economic risks exist that may adversely affect an account's performance that could result in capital losses in your account. Please refer to the third-party investment adviser's advisory agreements, Form ADV Brochure, and associated disclosure documents for details on their specific investment strategies, methods of analysis, and associated risks.

**Cybersecurity Risks:** Our firm and our service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate; however, unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While our firm has established a business continuity plan and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks are also present for issuers of securities, investment companies and other investment advisers in which we invest, which could result in material adverse consequences for such entities and may cause a client's investment in such entities to lose value.

**Pandemic Risk:** Large-scale outbreaks of infectious disease can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption. It is difficult to predict the long-term impact of such events because they are dependent on a variety of factors including the global response of regulators and governments to address and mitigate the worldwide effects of such events. Workforce reductions, travel restrictions, governmental responses and policies and macroeconomic factors will negatively impact investment returns.

**Cryptocurrency Risk:** Cryptocurrency (e.g., bitcoin and ether), often referred to as “virtual currency”, “digital currency,” or “digital assets,” is designed to act as a medium of exchange. Cryptocurrency is an emerging asset class. There are thousands of cryptocurrencies, the most well-known of which is bitcoin. Certain of the firm’s clients may have exposure to bitcoin or another cryptocurrency, directly or indirectly through an investment such as an ETF or other investment vehicles. Cryptocurrency operates without central authority or banks and is not backed by any government. Cryptocurrencies may experience very high volatility and related investment vehicles may be affected by such volatility. As a result of holding cryptocurrency, certain of the firm’s clients may also trade at a significant premium or discount to NAV. Cryptocurrency is also not legal tender. Federal, state or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in the U.S. is still developing. The market price of many cryptocurrencies, including bitcoin, has been subject to extreme fluctuations. If cryptocurrency markets continue to be subject to sharp fluctuations, investors may experience losses if the value of the client’s investments decline. Similar to fiat currencies (i.e., a currency that is backed by a central bank or a national, supra-national or quasi-national organization), cryptocurrencies are susceptible to theft, loss and destruction. Cryptocurrency exchanges and other trading venues on which cryptocurrencies trade are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure than established, regulated exchanges for securities, derivatives and other currencies. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities.

Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware. Due to relatively recent launches, most cryptocurrencies have a limited trading history, making it difficult for investors to evaluate investments. Generally, cryptocurrency transactions are irreversible such that an improper transfer can only be undone by the receiver of the cryptocurrency agreeing to return the cryptocurrency to the original sender. Digital assets are highly dependent on their developers and there is no guarantee that development will continue or that developers will not abandon a project with little or no notice. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets, including cryptocurrencies, and their source code. Any threatened action that reduces confidence in a network’s long-term ability to hold and transfer cryptocurrency may affect investments in cryptocurrencies.

Many significant aspects of the U.S. federal income tax treatment of investments in cryptocurrency are uncertain and an investment in cryptocurrency may produce income that is not treated as qualifying income for purposes of the income test applicable to regulated investment companies. Certain cryptocurrency investments may be treated as a grantor trust for U.S. federal income tax purposes, and an investment by the firm’s clients in such a vehicle will generally be treated as a direct investment in cryptocurrency for tax purposes and “flow-through” to the underlying investors.

**Environmental, Social, and Governance Investment Criteria Risk:** If a portfolio is subject to certain environmental, social and governance (ESG) investment criteria it may avoid purchasing certain securities for ESG reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for ESG reasons when it is otherwise economically advantageous to hold those securities. In general, the application of the portfolio’s ESG investment criteria may affect the portfolio’s exposure to certain issuers, industries, sectors and geographic areas, which may affect the financial performance of the portfolio, positively or negatively, depending on whether these issuers, industries, sectors or geographic areas are in or out of favor. An adviser can vary materially from other advisers with respect to its methodology for constructing ESG portfolios or screens, including with

respect to the factors and data that it collects and evaluates as part of its process. As a result, an adviser's ESG portfolio or screen may materially differ from or contradict the conclusions reached by other ESG advisers concerning the same issuers. Further, ESG criteria are dependent on data and are subject to the risk that such data reported by issuers or received from third-party sources may be subjective, or it may be objective in principle but not verified or reliable.

#### **Disciplinary Information - Item 9**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no material history of reportable legal or disciplinary events by our Firm, our principals or advisory representatives.

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

HWG Insurance Agency, LLC is an insurance agency that is related to Tectonic Advisors through common control and ownership. Certain Associated Persons of Tectonic Advisors are separately licensed as insurance agents of HWG Insurance Agency, LLC and can effect transactions in various insurance products, including variable or fixed insurance products and earn commissions for these activities. Tectonic Advisors expects that clients to whom it offers advisory services may also be clients for whom such individuals act as insurance agents. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned for placing the client in insurance products. Clients to whom the firm offers advisory services are informed that they are under no obligation to use the firm's Associated Persons for insurance services and may use the insurance brokerage firm and agent of their choice.

Sanders Morris LLC ("Sanders Morris") is a dually registered broker-dealer and investment adviser related to Tectonic Advisors through common control and ownership. Sanders Morris may receive certain advisory services from Tectonic Advisors such as research, due diligence services and model portfolios. This creates a conflict of interest because of the economic incentive to purchase services from a related entity.

As a broker-dealer, Sanders Morris may accommodate the brokerage business of certain advisory clients of Tectonic Advisors. Additionally, certain Associated Persons of Tectonic Advisors hold their securities licenses with Sanders Morris. Sanders Morris may accept orders for Tectonic Advisors' client accounts and receives brokerage commissions on any products sold in this capacity. Thus, a conflict of interest may exist between the interests of Tectonic Advisors and Sanders Morris due to the fact that commissions are earned. Tectonic Advisors clients are advised that they are under no obligation to effect securities transactions with Sanders Morris and that similar services may be less expensive elsewhere.

Cain, Watters & Associates is an SEC registered investment adviser, affiliated with Tectonic Advisors through common control and ownership. Specifically, a number of Tectonic Advisors indirect owners have an ownership interest in CWA. In addition to due diligence services provided to CWA, Tectonic Advisors offers strategies to CWA clients. The economic interest of the CWA partners in Tectonic Advisors creates an incentive for Tectonic Advisors and CWA to recommend Tectonic Advisors strategies over that of another manager. To mitigate this conflict, in addition to the firm's code of ethics policies,

CWA has adopted a Compliance and Conflicts Committee to review and resolve potential conflicts. Tectonic Advisors will consult with this Compliance and Conflicts Committee to determine that CWA has acted in the best interest of its clients.

Tectonic Advisors is affiliated with, T Bank, National Association ("T Bank"), through common control and ownership. T Bank, a member of the Federal Deposit Insurance Corporation, is a full service bank engaged in traditional lending, cash and/or treasury management and other services. Tectonic Advisors has entered into a separate agreement with T Bank to provide model portfolios, investment research and investment recommendations.

A material part of Tectonic Advisors investment advisory business is its appointment as the lead investment advisor to the T Bank collective pooled funds and its receipt of a fee based upon the assets under management.

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

#### **Description of Our Code of Ethics**

Tectonic Advisors has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Tectonic Advisors' policies and procedures developed to protect client's interests in relation to the following topics:

- Tectonic Advisors emphasizes the unrestricted rights of Tectonic Advisors clients to specify investment objectives, guidelines, restrictions and/or conditions on the overall management of their Investment portfolio
- Associated persons or their immediate family members shall not buy or sell securities for their personal portfolio(s) where their decision is derived in whole or in part, by reason of the associated person's employment, unless the information is also available to the investing public on reasonable inquiry. No associated person of the Firm shall prefer his or her own interest to that of the CWA advisory client.
- Tectonic Advisors and its associated persons may not participate in private placements or initial public offerings (IPOs) without pre-clearance from the Firm's Chief Compliance Officer.
- The Firm requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- Records will be maintained of all securities bought or sold by the Firm, associated persons of the Firm, and related entities. A qualified representative of the Firm will Review these records on a regular basis.
- Any individual not in observance of the above may be subject to termination. The full text of the Tectonic Advisors Code of Ethics is available to you upon request.

A copy of Tectonic Advisors' Code of Ethics is available upon request to the Chief Compliance Officer at Tectonic Advisors' principal office address on the cover of this brochure.

### **Participation or Interest in Client Transactions**

Tectonic Advisors and/or its Associated Persons may take positions in the same securities as clients, which may pose a conflict of interest with clients. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Incidental trading is not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price).

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

Tectonic Advisors has been engaged by T Bank to act as their lead investment adviser for certain collective investment funds used for qualified plan assets and certain common trust funds maintained for their personal trust assets (the "Funds"). This arrangement is described in further detail in Item 10 above.

Each fund is managed by one or more independent, third party money managers or invested in mutual funds. Decisions related to the purchase and sale of securities are made by the individual money managers or mutual funds.

Clients participating in the Separately Managed Account Program are required to use Charles Schwab & Co., Inc. ("Schwab"). Schwab is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

Schwab is an independent and unaffiliated SEC-registered broker-dealer. Schwab offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Tectonic Advisors receives some benefits from Schwab through its participation in the program. (Please see the disclosure under Item 14 below.)

### **Research and Other Soft Dollar Benefits**

Although the following products and services are not purchased with "soft dollar" credits, we will receive certain economic benefits (soft dollar benefits) from Schwab in the form of access to Schwab's institutional brokerage and support services at no additional cost or a discounted cost. Below is a detailed description of Schwab's support services:

#### **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like ours. They provide our clients and us with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us. 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. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

Services that Benefit You: Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that

would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

*Services that Do Not Directly Benefit You:* Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide pricing and other market data
- facilitate payment of our fees from our clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

*Services that Generally Benefit Only Us:* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and compliance-related needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support
- Recruiting and custodial search consulting

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment for our personnel. If you did not maintain your account with Schwab, we would be required to pay for those services from our own resources.

Our firm understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all clients and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While we may not always obtain the lowest commission rate, we believe the rate is reasonable in relation to the value of the brokerage and research services provided.

#### **Brokerage for Client Referrals**

Tectonic Advisors does not receive client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement.

#### **Directed Brokerage**

Tectonic Advisors directs clients to Charles Schwab & Co., Inc. ("Schwab") as Custodian for the Separately Managed Account Program. Schwab will also provide execution and clearing services for transactions related to the SMA Program. Factors that Tectonic Advisors considers when recommending Schwab include historical relationship, financial strength, reputation, execution capabilities, pricing, and

service. Although the commissions and/or transaction fees paid by Tectonic Advisor's clients shall comply with Tectonic Advisors duties to obtain best execution, a client may pay a commission or transaction fee that is higher than another qualified broker dealer might charge to affect the same transaction.

The third-party investment advisors recommended by Tectonic Advisors to manage the Pooled Funds of T Bank may direct brokerage to a specific broker-dealer.

### **Trade Allocations**

Tectonic Advisors will aggregate purchase or sale orders for clients by custodial relationship. Each custodial relationship will be evaluated based upon cut off trading times, and or platform capabilities to ensure all accounts are treated equitably in the timing of executions. In the cases where Tectonic acts as both model advisor and discretionary manager trades will be provided simultaneously, allowing for same day execution. Tectonic Advisors, however, will not aggregate transactions unless it believes such aggregation will result in the best overall execution for all participating clients and is consistent with the terms of the applicable investment advisory agreement. Furthermore, no client account will be favored by Tectonic Advisors over any other account. All client accounts participating in an aggregated trade will receive the average price and if applicable, pay a proportional share of any commission, subject to a minimum ticket charge.

Tectonic strategies are reviewed daily, as security adjustments are made; Tectonic Advisors will use the respective custodial platform to generate a trade ticket that will include all accounts and number of shares either to be bought or sold. The ticket will then be aggregated into one trade for all accounts that hold or need the security at the particular custodian. The aggregation will be across all models that hold the particular security at the respective custodian. The aggregated trade will then be executed and allocated to the respective accounts.

If for any reason, the order is only partially filled at the end of the day, it will be allocated alternating an A to Z then Z to A method, based upon account last name.

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

Client Accounts are generally reviewed on at least an annual basis. The annual reviews typically focus on the client's personal financial situation, any current or new account restrictions or any changes in investment objectives as well as the continued suitability of the client's investment policy statement. Clients are instructed to notify Tectonic Advisors immediately of any changes in their investment objectives or financial condition.

Tectonic Advisors continually monitors the investment models and strategies. Changes affecting a particular investment strategy will trigger changes to all client portfolios following that strategy or model.

Clients will receive monthly or quarterly statements from their custodian and may access their accounts via their custodian's website. The custodian's website will have the custodian's monthly or quarterly statements and in some cases daily information. In addition, Tectonic Advisors produces a quarterly performance report as a service to its clients; it is not intended to take the place of the custodial statements.



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

As disclosed under Item 12 above, Tectonic Advisors participates in Schwab's institutional customer program and Tectonic Advisors may recommend Schwab to clients for custody and brokerage services. There is no direct link between Tectonic Advisors' participation in the program and the investment advice it gives to its clients, although Tectonic Advisors receives economic benefits through its participation in the program that are typically not available to Schwab retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Tectonic Advisors participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Tectonic Advisors by third party vendors. Schwab may also have paid for business consulting and professional services received by Tectonic Advisors' related persons.

Some of the products and services made available by Schwab through the program may benefit Tectonic Advisors but may not benefit its client accounts. These products or services may assist Tectonic Advisors in managing and administering client accounts, including accounts not maintained at Schwab. Other services made available by Schwab are intended to help Tectonic Advisors manage and further develop its business enterprise. The benefits received by Tectonic Advisors or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab. As part of its fiduciary duties to clients, Tectonic Advisors endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Tectonic Advisors or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Tectonic Advisors' choice of Schwab for custody and brokerage services.

Non-employee (outside) consultants, individuals, and/or entities, who are directly responsible for bringing a client to Tectonic Advisors, may receive compensation from the firm. Such arrangements will comply with the requirements under the Investment Advisers Act of 1940, including the requirement that the relationship between the solicitor and the investment adviser be disclosed to the client at the time of the solicitation or referral. In addition, all applicable state laws will be observed. Under these arrangements, the client does not pay higher fees than Tectonic Advisors' normal/typical advisory fees.

#### **Custody - Item 15**

Tectonic Advisors is deemed to have custody of client funds because of the fee deduction authority granted by the client in the Advisory Agreement.

We are deemed to have custody because certain Associated Persons have general power of attorney over client accounts. In accordance with Rule 206(4)-2(a)(4) under the Advisers Act, we have retained an independent certified public accountant to conduct an annual surprise examination of the client funds and securities in such arrangements.



Clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's account assets. Tectonic Advisors urges the client to carefully review these statements.

#### **Investment Discretion - Item 16**

As part of the execution of the Investment Management Agreement, Clients will grant Tectonic Advisors discretionary authority with regard to the investment and reinvestment of the assets with full authority to buy, sell, or otherwise effect transactions involving the assets in the Client accounts.

Additionally, Tectonic Advisors is granted discretionary authority through Investment Advisory Agreement, whereby Tectonic Advisors advises Clients on allocations which include third party investment advisers. Tectonic Advisors has discretion to utilize or not the third party investment advisers engaged to fulfill the particular allocation.

In all cases, such discretion is to be exercised in a manner consistent with the investment policy statement, including any client imposed restrictions, for the particular client account.

#### **Voting Client Securities - Item 17**

##### **Proxy Voting**

It is the policy of Tectonic Advisors to not vote on behalf of client, or direct client participation in proxies. The Client shall retain responsibility for voting any proxies solicited by issuers of securities beneficially owned by the Client. Further, the Client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the Assets, including, but not limited to, class action lawsuits.

Tectonic Advisors will determine whether to return any proxy documentation or documentation regarding clients' participation in class action lawsuits that is inadvertently received, by Tectonic Advisors, to the sender, or to forward such information to the respective clients.

Any questions related to this policy can be directed to Tectonic Advisors Compliance via email to [steve.mangold@smhgroup.com](mailto:steve.mangold@smhgroup.com)

#### **Financial Information - Item 18**

Tectonic Advisors does not require the prepayment of over \$1,200, six or more months in advance. Additionally, Tectonic Advisors 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.

#### **Requirements for State-Registered Advisers - Item 19**

**This section is intentionally left blank- Our firm is SEC registered**