

## Item 1: Cover Page

# **Appendix 1 of Part 2A Wrap Fee Program Brochure**

March 27, 2024

## **Monorail Securities LLC**

SEC File No. 801-108517

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This wrap fee program brochure provides information about the qualifications and business practices of Monorail Securities LLC. If you have any questions about the contents of this brochure, please contact us at 941-925-2121 or email [pdickson@monorail.com](mailto:pdickson@monorail.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Monorail Securities LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

There are no material changes since the last update of this brochure issued September 15, 2023.

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## Item 4: Services, Fees and Compensation

### A. Firm Description

Monorail Securities LLC ("Monorail Securities" or the "firm") is a Florida limited liability company. The firm was formed in June 2016, and the principal owner is Vimvest Holdings, LLC ("Holdings"). Holdings is principally and indirectly owned by Phillip Dickson, Stuart Dickson, and Margaret Hixon.

#### Advisory Services Offered

##### Portfolio Management Services

Monorail Securities provides portfolio management services to its clients via an online interface. Currently, the firm's only offering is a number of model portfolios (the "Portfolios") composed of exchange-traded funds ("ETFs"). This entails the use of algorithm-based portfolio management advice rather than in-person investment advice. Through the firm's online platform, clients will establish an investment advisory account with Monorail Securities. Clients are also given the option of subscribing to the Monorail online app, through which they can elect to open self-directed trading accounts and/or Monorail-managed investment advisory accounts through Viewtrade.

Monorail Securities will provide clients with custodial and execution services necessary to effect trades in client accounts according to the level of account assets that are assigned by the client to the Portfolios in accordance with the terms of the program agreement. All clients receive Monorail Securities' discretionary advisory services over the internet. There is a \$5 minimum investment requirement.

Clients are given access through a computer app to a risk questionnaire to complete when they open an investment account. Based upon information input by the client, Monorail Securities, through the platform, generates an asset allocation, and selects among Portfolios composed of twelve ETFs in a proportion to fulfill the specific client's system-generated asset allocation. Pursuant to the client's authority, Monorail Securities will have the limited authority, without further direction from client, to allocate assets within the available Portfolio(s) selected by the client, which are composed of ETFs and cash ("portfolio components") that are constructed, monitored, and modified by Monorail Securities for the program. Clients also retain the ability to make adjustments to their profile, which in turn may result in a new asset allocation among the Portfolios made available through the platform.

Monorail Securities generally limits its investment advice to publicly traded ETFs and specifically utilizes a limited number of ETFs in its Portfolio structures depending on the level of risk tolerance a client is willing to assume. Monorail Securities utilizes modern portfolio theory and efficient frontier to construct its Portfolios as further described in Item 6 of this brochure.

When Portfolio changes are identified, such as the addition of new clients, changes to an asset allocation, and the underlying ETFs utilized, orders are aggregated and generated during the course of the applicable trading day, and a draft of the order file is sent to Monorail Securities

for review and approval. Once approved, the trades are generally executed throughout the day on the day following the date the approval was processed. The firm, through its contractual commitments with clients, provides for a three-day trading window; therefore, please be aware that as a result given market fluctuations, corrections to the trade file, etc., trades may be executed at prices higher or lower than the day the trade recommendations were generated.

Monorail Securities does not construct the Portfolios based on the specific investment objectives or limitations of the client, but instead constructs and continually rebalances the Portfolios among the portfolio components to achieve their differing investment objectives. Monorail Securities will have authority to buy or sell portfolio components directly for client accounts for the Portfolios, which are based upon client profile inputs selected by the client. The client will determine how much of the assets are allocated to each Portfolio via the platform's functionality. Clients should understand that changes they make to their profile do not cause the system to automatically change their allocation or investments. Clients must proactively change their allocation through app's functionality. Monorail Securities does not have any authority respecting any client assets not in the account, and Monorail Securities will not have any authority to access any of the client's assets – in the account or otherwise – except for Monorail Securities' authorization to deduct its fees directly from the underlying program account. Similarly, Monorail Securities does not have authority to alter how much client assets are in particular Portfolios – it only has authority to rebalance assets once a client has determined how much to invest in the Portfolios.

The Portfolios are not a comprehensive asset management service. For example, the Portfolio components are limited to cash and a limited number of ETFs, and therefore severely constrains the universe of potential investments in the Portfolios. The composition and operation of the Portfolios is done through automation, meaning their ability to achieve stated objectives is necessarily limited and subject to their design. The program limits Portfolio transactions at certain times of the trading day, and only rebalances Portfolios if certain events occur. Changes made to the client's allocation among Portfolios (including withdrawals, re-allocations, or deposits) will necessarily alter the outcomes of the investment's allocations.

Clients agree to promptly inform Monorail Securities, via the platform, if the information provided, including client's investment objectives, goals, risk tolerance, other personal and financial circumstances, time horizon, and investment experience becomes inaccurate, and to provide updated information, if any, about the client's financial circumstances and investment objectives.

#### **Goal-Based Advisory Services through Viewtrade**

Our goal-based software allows clients to identify and segregate investment goals. The goals remain in place until the client proactively closes their goals. Any automatic funding (automatic deposits) will continue until the client manually shuts it off. The client may choose to close one or more of the account's goals at any time. In order to do so, the client must liquidate and withdraw all funds from the goal before it can be closed in the app.

## Fees and Compensation

### Portfolio Management Services Fees

The annual fee for the Portfolios is calculated using the value of the assets on the last business day of the prior billing period according to the following fee schedule, which represents the firm's maximum fees for individual services.

<u>Total Assets Under Management</u>	<u>Annual Fee Rate</u>	<u>Monthly Subscription Fee for Monorail App*</u>
All assets	0.25%	\$3.00

\*The subscription fee is in addition to the asset-based fee, applied to each user on the account. For example, on an account with \$10,000 and one user, the annual fee is \$28 ( $10,000 \times .0025 + \$3$ ); on a joint account with \$10,000 and two users, the annual fee is \$31 [ $(10,000 \times .0025) + (\$3 \times 2)$ ].

Asset-based fees are always subject to the investment advisory agreement between the client and Monorail Securities. Such fees are payable quarterly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month.

The trading cost component of the above-mentioned advisory fees are estimated to range from \$50 to \$250 per account per year.

These fees include charges for all transaction costs such as commissions on purchase and sales of stocks, bonds, exchange-traded funds and options, and mutual fund transactions fees. Except as otherwise provided below, client will incur no charges other than the adviser's fee pursuant to the above fee schedule in connection with the maintenance of and activity in client's account. The wrap fee does not include private alternative investment fees and expenses, annual account fees or other administrative fees, such as wire fees, charged by manager or brokerage firm; fees for securities transactions executed away from the custodian; certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in the client's account; and advisory fees, expenses or sales charges (loads) of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in client's account. The wrap fee also does not cover certain costs associated with securities transactions in the over-the-counter market, such as fixed income securities where manager must approach a dealer or market maker to purchase or sell a security. Such costs include the dealer's mark-up, mark-down or spread and odd-lot differentials or transfer taxes imposed by law.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. 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. Monorail Securities may modify the fee at any time upon 30 days' written notice to the client.

## **B. Disclosure of Cost Difference if Services Purchased Separately**

Depending on a number of factors, such as the number, size and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis. Bundled fees generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading costs. Frequent trading in an account where transaction fees are included as part of the overall advisory fee to the client drive trading costs higher and reduce the overall fee revenue to the advisor. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm's profitability.

## **C. Additional Client Fees and Terms of Payment**

### **Client Payment of Fees**

#### **Portfolio Management Services Fees**

Monorail Securities generally requires fees to be prepaid on a quarterly basis. Monorail Securities requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Subscription fees will be paid on the Monorail online app with the subscriber's credit card.

Monorail Securities will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

A client investment advisory agreement may be canceled at any time by the client, or by Monorail Securities with 30 days' prior written notice to the client. Upon termination of any account, any unearned, prepaid fees will be promptly refunded.

A subscription to the Monorail app may be canceled by the client at any time for any reason but will continue until the end of the subscription period. The subscription will auto-renew unless canceled by the client before the end of the subscription period. No refunds will be issued if the subscription is terminated before the end of the subscription period.

### **Prepayment of Client Fees**

Monorail Securities collects fees in advance. Refunds for fees paid in advance will be returned within fourteen days of the effective date of the termination via check, or return deposit back into the client's custodian account.

For all asset-based fees paid in advance, the fee refunded will be equal to unearned fees for the balance of the quarter beginning on the effective date of the termination through the last day of the quarter in which the termination became effective.

### **Additional Fees**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by ETFs, investment advisers, and trade-away fees imposed by broker-dealers and custodians, if any. Such fees and expenses are described in each ETF prospectus, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. A client using Monorail Securities' product offering may be precluded from using certain ETFs because of their lack of availability on our platforms or otherwise may not be offered by the custodian.

Please refer to the Brokerage Practices section (Items 9.B.2 and 9.B.3) for additional information regarding the firm's brokerage practices.

## **D. Compensation for Recommending the Monorail Securities Wrap Fee Program**

The Monorail Securities Wrap Fee Program is a proprietary product offered exclusively through Monorail Securities. As such, there is a conflict of interest in that we are economically disincentivized to trade your portfolio. The less we trade the more money we make, as our wrap fee includes trading costs.

## **E. External Compensation for the Sale of Securities to Clients**

Monorail Securities' advisory professionals are compensated based upon a salary and bonus. Certain personnel are registered with an insurance agency and may be paid sales, service, or administrative fees for the sale of insurance products. Please see Item 9.A.2 for detailed information and conflicts of interest.

## **F. Client Assets Under Management**

As of December 31, 2023, Monorail Securities had \$0 of discretionary assets and \$146,815 of non-discretionary assets under management.



## **Item 5: Account Requirements and Types of Clients**

Monorail Securities generally provides advisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Trusts
- Small businesses

Monorail Securities requires a \$5 minimum investment.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **A. Portfolio Manager Selection and Review**

The firm is the sole sponsor and sole portfolio manager for the Monorail Securities Wrap Fee Program.

### **B. Participation in Wrap Fee Programs**

The Monorail Securities Wrap Fee Program is the only wrap fee program the firm participates in.

### **C. The Firm Acts as Both a Wrap Fee Sponsor and Portfolio Manager**

The Monorail Securities Wrap Fee Program is a proprietary product offered exclusively through the firm.

#### **Monorail Securities Wrap Fee Program**

Monorail Securities sponsors and manages a proprietary wrap fee program, which is an investment program where the investor pays one stated fee that includes management fees and transaction costs. Monorail Securities manages the investments in the wrap fee program. Fees paid under the wrap fee program will be paid to Monorail Securities as a management fee.

A wrap fee program has a fee structure that provides clients with advisory and brokerage services for one all-inclusive bundled fee with no additional account activity charges for execution of trades. As such, Monorail Securities charges clients a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services.

Monorail Securities offers its proprietary advisory services through a wrap fee program because we believe it best allows us to achieve our mission of simplifying smart saving and investing for our clients. For example, the wrap fee gives clients the freedom to add to or withdraw money from their accounts and provide investment direction that impacts their account holdings without incurring any separate expenses for resulting trades.

Monorail Securities' Wrap Fee Program offers services to two types of clients:

- (1) A retail platform service whereby individuals, trusts, and other legal entities receive advisory services electronically from Monorail Securities (such clients are referred to as "Retail Clients")
- (2) An institutional platform whereby individuals, trusts, and other legal entities receive advisory services from Monorail Securities, with which the individual, trust or legal entity has an independent relationship (such clients are referred to as "Institutional Clients"). Retail Clients and Institutional Clients are collectively referred to in this brochure as "clients."

### **Client-Tailored Services and Client-Imposed Restrictions**

Clients may change their profile inputs which may require the client to adjust their portfolio allocation. The system will not automatically rebalance the portfolio allocation pursuant to any profile changes made by the client.

Clients should promptly update their profile information through the online Program portal. Failure to update profile information may result in a mismatch of their investment profile versus the Portfolios.

Monorail Securities will remind clients on a quarterly basis of their obligation to inform us of any changes to their profile information. Monorail Securities will also contact clients at least annually to determine whether there have been any changes in personal financial circumstances, investment objectives, and tolerance for risk.

### **Management of Wrap Fee Program**

The Monorail Securities Wrap Fee Program is the only asset management program offered by the firm.

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

Monorail Securities does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. There is no guarantee that any specific investment or strategy will be profitable for a particular client.**

### **Modern Portfolio Theory**

Modern portfolio theory is a theory of investment that attempts to maximize portfolio-expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets. Modern portfolio theory assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### **Long-Term Trading**

When constructing and monitoring its Portfolios, the firm utilizes a long-term investment strategy to capture rates of return which tend to smooth out the short-term volatility of the of the market and specific securities.

### **Exchange-Traded Funds**

The firm primarily uses individual exchange-traded funds (“ETFs”) in constructing its Portfolios. A description of the criteria used in constructing its Portfolios follows.

The firm has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

The firm may utilize additional independent third parties to assist it in constructing and monitoring Portfolios as appropriate under the circumstances.

The firm reviews certain quantitative and qualitative criteria related to ETFs and to construct and rebalance its Portfolios. Quantitative criteria may include

- the performance history of an ETF evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager’s contribution to the investment return (e.g., manager’s alpha), standard deviation of returns over specific time periods, sector and style analysis
- ETFs’ embedded fees
- ETFs’ underlying strategy and portfolio assets
- the relevant portfolio manager’s tenure

Qualitative criteria used in selecting ETFs for Portfolios include the investment objectives and/or management style and philosophy of an ETF manager; an ETF manager’s consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to ETFs are reviewed by the firm on a quarterly basis or such other interval as appropriate under the circumstances. In addition, ETFs are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the ETF by the firm (both of which are negative factors in implementing an asset allocation structure).

The firm will regularly review the activities of ETFs utilized in the Portfolios. Clients should review and understand the disclosure documents of those mutual funds and ETFs, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

### **Investment Strategy, Method of Analysis, Material Risks**

Our investment strategies in the Portfolios are based upon the investment profile information provided by the client subject to the Platform constraints discussed in Item 4 of this brochure.

### **Concentration Risk**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

### **Material Risks of Investment Instruments**

#### **Exchange-Traded Funds**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **Proxy Voting**

The firm does not take discretion with respect to voting proxies on behalf of its clients. The firm will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held in the Portfolios. In no event will the firm take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, the firm will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. The firm has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. The firm also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action

settlement or verdict. Furthermore, the firm has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where the firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 7: Client Information Provided to Portfolio Managers**

The firm is the sole portfolio manager in the Monorail Securities Wrap Fee Program and does not share any personal information it collects from its clients other than as required by law or regulatory mandate. The firm may collect the following information in order to formulate its investment recommendations to clients:

- Income
- Employment and residential information
- Social security number
- Cash balance
- Security balances
- Transaction detail history
- Investment objectives, goals, and risk tolerance
- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Asset allocation
- Restrictions on management of accounts
- Client interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

## **Item 8: Client Contact with Portfolio Managers**

The firm encourages communication with its clients and does not limit or condition the amount of time clients can spend with the firm's advisory professionals.



## Item 9: Additional Information

### A. Disciplinary and Other Financial Activities and Affiliations

#### Disciplinary

##### **Criminal or Civil Actions**

There is nothing to report for this item.

##### **Administrative Enforcement Proceedings**

There is nothing to report for this item.

##### **Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report for this item.

#### Other Financial Activities and Affiliations

##### **Broker-Dealer or Representative Registration**

Neither the firm nor its affiliates are registered to conduct broker-dealer activities.

##### **Futures or Commodity Registration**

Neither the firm nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

##### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

##### ***Monorail Computer App***

Vimvest Holdings, LLC ("Holdings") offers a computer app in which customers may conduct banking activities (effect checking, savings, and debit card transactions), asset management and effect 501(c) charitable donation transactions. The banking and charitable donation services are offered pursuant to a partnership arrangement with Hillsvue Bank. Asset management services are offered exclusively through Monorail Securities. There is no ownership affiliation by and between Hillsvue Bank and Holdings or any of their respective affiliates.

##### ***Vimvest Holdings, LLC***

Vimvest Holdings, LLC ("Holdings") is the principal owner of Monorail Securities. Please be advised that Monorail Securities' advisory clients may be solicited to invest in a private placement offering of Holdings. Monorail Securities' advisory clients should be aware of certain conflicts of interest related to clients' investment in Holdings. First, Monorail Securities is incentivized to preference advisory clients who are investors in the affiliate versus those advisory clients that have not invested in the affiliate. Second, a failure to maintain sufficient

growth capital could result in either a degradation of services or a failure to rollout new services, both of which may have been a factor in clients' evaluation to engage Monorail Securities.

***HD Money, Inc.***

Certain managers, members, and registered employees of Monorail Securities are employees of HD Money, Inc., an affiliate investment adviser that provides investment management and financial planning services to its clients. In particular, HD Money, Inc. outsources much of its investment management services to Monorail Securities. Please be advised this represents a conflict of interest in that HD Money, Inc. is under common control with Monorail Securities, thus creating an economic incentive for Monorail Securities to recommend its affiliate for investment advisory and financial planning services and conversely for HD Money, Inc. professionals to recommend the investment management services of Monorail Securities. You are under no obligation to utilize an affiliate's services.

***Insurance Sales***

Certain managers, members, and registered employees of Monorail Securities are licensed insurance agents through Vimvest Advisors, LLC, a wholly owned affiliate of Vimvest Holdings, LLC, and may offer insurance products through Financial Independence Group. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products where commissions or other additional compensation is received. Please also be advised that Monorail Securities strives to put its clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with Monorail Securities' employing broker-dealer.

**Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Monorail Securities does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

## **B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters**

**Code of Ethics Description**

In accordance with the Advisers Act, the firm has adopted policies and procedures designed to detect and prevent insider trading. In addition, the firm has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the firm's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by

the chief compliance officer of the firm. The firm will send clients a copy of its Code of Ethics upon written request.

The firm has policies and procedures in place to ensure that the interests of its clients are given preference over those of the firm, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

**Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

The firm does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). The firm does recommend securities to advisory clients in which it has some affiliation, proprietary, or ownership interest.

**Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

The firm, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which the firm specifically prohibits. The firm has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow the firm's procedures when purchasing or selling the same securities purchased or sold for the client.

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

The firm, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other the firm clients. The firm will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of the firm to place the clients' interests above those of the firm and its employees.

**Review of Accounts**

**Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

The firm provides model-based Portfolios to its clients. Model Portfolios are selected by the client pursuant to their investment profile as updated by the client in the app. The Model Portfolio algorithms are reviewed by the investment team chaired by Mark Kennedy, Chief Investment Officer. The frequency of reviews is ongoing based upon the risk characteristics of each asset allocation, market and economic events, ETFs employed for use within the model Portfolios, and modern portfolio theory. Annually the firm will review client profile information to ensure the selected model allocation is consistent with the client profile information. In addition, the firm will send a proactive communication to clients asking them to update their profile if there are significant changes.

**Review of Client Accounts on Non-Periodic Basis**

The firm may perform ad hoc reviews on an as-needed basis if there have been material changes in how the firm formulates investment advice or macroeconomic or market-related factors.

**Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by the firm.

**Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than the disclosures stated in Items 9.A.2 and 9.B.2 of this brochure, the firm does not receive referral payments from third-party service providers. You are under no obligation to utilize any service provider recommended to you by the firm or its affiliates.

#### **Advisory Firm Payments for Client Referrals**

For the online subscription app, Monorail Securities will pay Solicitors a referral fee of \$5 for each referred client who registers for the Monorail Securities online app and holds an account (self-directed or investment advisory account) in good standing. Clients will also earn \$5 as a bonus for their registration as a client on the app and who remain a client for at least 30 days after registration. The receipt of compensation creates a conflict of interest in that the promoter is economically incented to promote our firm. Please be advised that the firm's payment of compensation to the promoter does not increase the client's advisory fee paid to the firm.

#### **Financial Information**

##### **Balance Sheet**

Monorail Securities does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

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

Please be advised the firm's financials are rolled up into the overall enterprise. As a result of significant technology investments, which have been offset by a capital raise of its affiliate VimVest Holdings, LLC, the enterprise is showing significant losses which could impair the firm's ability to provide services. We believe our ongoing capital raising efforts will provide sufficient capital for our ongoing investment in technology. However, should we fail to meet our ongoing technology investment expenses through additional capital raising, our ability to provide services to you could be impaired.

##### **Bankruptcy Petitions During the Past Ten Years**

There is nothing to report for this item.