



# SANDERS MORRIS HARRIS

**Universal Managed Asset Program (“UMAP”)**

## **Wrap Fee Program Brochure**

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Sanders Morris Harris Inc.

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This wrap fee program brochure provides information about the qualifications and business practices of Sanders Morris Harris Inc. (“SMHI”). If you have any questions about the contents of this brochure, please contact the Compliance Department at the above telephone number. 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.

Sanders Morris Harris Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Sanders Morris Harris Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC rules. This wrap fee program brochure dated March 30, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the wrap fee program brochure and will provide clients with a summary of such changes. We will also reference the date of our last annual update to our wrap fee program brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent wrap fee program brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new wrap fee program brochure as necessary based on changes or new information, at any time, without charge.

Currently, our wrap fee program brochure may be requested by contacting Leslie Jallans, Chief Compliance Officer, at [leslie.jallans@smhgroup.com](mailto:leslie.jallans@smhgroup.com). Additional information about Sanders Morris Harris Inc., including our current brochure, is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Sanders Morris Harris Inc. who are registered, or are required to be registered, as investment adviser representatives of Sanders Morris Harris Inc.

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## **Services, Fees and Compensation**

### **Services**

Universal Managed Asset Program (“UMAP”) is a wrap fee asset allocation program sponsored by SMHI. The client retains SMHI and an Investment Adviser Representative (“Representative”) for the purpose of opening an investment advisory account (“Account”) and participating in UMAP. SMHI will invest participating client assets in one or more diversified asset allocation models consisting of open-end investment companies (commonly referred to as mutual funds) and closed-end investment companies (commonly referred to as exchange-traded funds or ETFs) in exchange for an all inclusive asset-based advisory fee (“Advisory Fee”).

SMHI offers UMAP portfolios containing open-end mutual funds and ETFs in a broad range of asset classes including domestic stocks, international stocks, global bonds, and alternative investments. Alternative investments may include mutual funds or ETFs invested in real estate investment trusts, arbitrage strategies, managed futures, commodities, initial public offerings, long/short strategies and other non-traditional investments. Neither SMHI nor any of its affiliates serve as investment adviser to any of the investment company products included in portfolio assets. UMAP portfolios range from conservative to aggressive. The client’s Representative assists the client in selecting the portfolio that best meets the client’s investment objectives, financial situation and risk tolerance.

Representative considers the client’s financial situation, goals and investment objectives, risk tolerance, time horizon and other relevant factors, as described by the client in selecting the client’s asset allocation model. The client should inform Representative if changes occur in investment objectives or financial situation, or if the client wishes to impose reasonable restrictions on the account(s) which are not fundamentally inconsistent with the client’s investment objective or the nature or operation of UMAP. SMHI will notify the client quarterly, as a reminder, to contact SMHI regarding any changes in the client’s financial situation or investment objectives. In addition, Representative will contact the client at least annually to determine whether any such changes have occurred.

SMHI sponsors wrap fee programs other than UMAP. Complete details of the other programs are contained in the wrap fee program brochure applicable to each program. To obtain a copy of the wrap fee program brochure for another SMHI-sponsored program, please contact your Representative.

### **Fees and Compensation**

#### **Advisory Fee**

The Advisory Fee includes discretionary management and periodic review of all investments in the UMAP account. The fee also covers administrative services, transaction costs and clearance and custody of assets. In addition, the Advisory Fee covers consultation with a Representative who receives compensation as a result of the client’s participation in UMAP.

The Advisory Fee is based on the average daily balance of the assets in the Account, calculated on the last day of each calendar quarter. The Advisory Fee is payable quarterly, in arrears. The first payment is prorated for assets that are placed in the Account during a calendar quarter. Fees are payable to SMHI no later than the fifteenth (15th) day after the end of each quarter, in arrears.

The fee schedule below shows the annual percentages:

<u>Total Assets</u>	<u>Maximum Total Program Fee as a % of Asset Value</u>
First \$500,000	1.50%
Next \$500,000	1.25%
Amounts above \$1 million	1.00%

Fees are non-negotiable. When calculating the Advisory fee, multiple accounts held within the same family are aggregated to determine the lowest percentage fee if all accounts are managed as one relationship.

The Advisory Fee is based on the amount of money the client invests in the program and is not dependent on the amount of trading in the account or the advice given in any particular time period. The client should be aware that lower fees for comparable services may be available in other SMHI programs or from other sources.

A portion of the Advisory Fee is paid to your Representative. The Advisory Fee earned may be more or less than what SMHI or its Representatives might earn from other programs available in the financial services industry or if the services were purchased separately. Therefore, SMHI and its Representatives may have a financial incentive to recommend the UMAP program over other programs or services.

SMHI has entered into an agreement with Edelman Financial Services LLC (“EFS”), an affiliated investment adviser, to provide certain administrative services in connection with UMAP. EFS will share in the Advisory Fee as compensation for such services.

### **Payment Method**

The client authorizes SMHI to collect the Advisory Fee and authorizes the custodian to deduct the Advisory Fee from the account under the Client Services Agreement. All fees will be noted on the client’s custodial account statements. If the Account does not hold cash or money market balances sufficient to cover the Advisory Fee, the client may deposit additional funds by the due date. If no such deposit is made, SMHI will liquidate securities in the Account in amounts sufficient to cover such fees. Liquidation may cause the client to incur taxes and other costs.

### **Changes to Fees**

SMHI may change the fee schedule at any time by giving 30 days prior written notice to the client. Following the 30-day notice period, the new fee schedule will become effective unless the client terminates the Client Services Agreement. The client’s continued acceptance of the services will constitute consent to changes in the Advisory Fee, including an increase in the amount charged.

### **Other Fees and Expenses**

Each mutual fund or ETF in which the client may invest in the Account also bears its own fees and expenses (none of which are shared with SMHI or its affiliates) as disclosed in the applicable prospectus or product description. The Advisory Fee does not cover fees or expenses charged by any mutual fund or ETF held in the Account. In addition, the Advisory Fee does not include debit balances, wire transfer fees, overnight check fees, margin interest, account transfer fees, IRA and retirement plan fees, SEC fees, 12b-1 fees for certain money market funds, or other fees or taxes required by law.

## **Account Requirements and Types of Clients**

### **Account Requirements**

The minimum account size is \$100,000. The client may make additions to or withdrawals from the account at any time. Withdrawals which cause material reductions in the value of the account could cause SMHI to terminate the account. UMAP is designed as a long-term investment vehicle and asset withdrawals may impair the ability to achieve client’s investment objectives.

SMHI has entered into an agreement with TD Ameritrade Institutional (as cleared through TD Ameritrade Clearing, Inc.), a division of TD Ameritrade, Inc. (“TD Ameritrade” or “the Custodian”), an unaffiliated broker/dealer, to provide the following services: (a) maintain custody of Account assets; (b) execute and perform clearance of all purchase and sale orders as directed by SMHI; (c) perform all custodial functions

customarily performed with respect to the Account, including but not limited to the crediting of interest and dividends on account assets; (d) forward to client and to SMHI purchase and sale confirmations and account statements; (e) act as general administrator of the UMAP account(s); (f) charge and collect advisory fees on SMHI's behalf; and (g) accept, pursuant to SMHI's instructions, deposits to and withdrawals from the Account. The client must agree to the opening of an account with TD Ameritrade as a condition to participate in UMAP.

Client will pay no commissions for brokerage services and SMHI will not enter into any principal transactions in UMAP accounts. Client acknowledges that the Custodian does not assist client in selecting SMHI or any investment or in determining the suitability of investments.

The Custodian will send a monthly statement to client detailing all account activity, including deduction of the Advisory Fee. Client may elect to receive custodial account statements and confirmations electronically in lieu of paper confirmations and statements.

## **Types of Clients**

UMAP asset allocation models are offered to individuals, trusts, estates, charitable organizations, pensions, profit sharing plans and small businesses.

## **Portfolio Manager Selection and Evaluation**

The SMHI Investment Committee manages portfolios for UMAP accounts. SMHI does not select or utilize the services of any third-party portfolio manager in UMAP.

## **Performance Calculation**

SMHI has engaged its affiliate EFS under a services agreement to prepare investment performance information relating to UMAP asset allocation models. Using EFS' internal portfolio accounting software, investment performance figures are calculated according to globally accepted industry standards. UMAP performance information has not been verified by any independent third party.

Performance calculations are based on actual UMAP accounts under management, including those accounts that have been closed. Investment performance is presented net of actual management fees.

## **Investment Strategies**

UMAP strategies are implemented using ETFs and mutual funds in a broad range of asset classes including domestic stocks, international stocks, global bonds, and alternative investments. UMAP strategies range from conservative to aggressive as shown in the chart below.

Asset Allocation Model	Investment Objective	Risk Tolerance	Description
Conservative	Preservation of Capital	Conservative	Invests more than 40% of its assets in ETFs and mutual funds invested in fixed income securities with the balance in funds of equities and alternative investments. The portfolio is generally suitable for an investor with an investment objective of preservation of capital.
Moderate	Income Growth & Income Growth	Moderate	Invests 20% to 40% of its assets in ETFs and mutual funds invested in fixed income securities with the balance in funds of equities and alternative investments. The portfolio is

			generally suitable for an investor with an investment objective of income; growth and income; or growth.
Aggressive	Aggressive Growth	Aggressive	Invests less than 20% of its assets in fixed income ETFs and mutual funds with the balance in ETFs and mutual funds invested in equities and alternative investments. The portfolio is generally suitable for an investor with an investment objective of aggressive growth.

## Methods of Analysis and Investment Selection

Pursuant to the Client Services Agreement that the client executes, SMHI is granted limited discretionary authority to implement client-approved investment strategies. Investments are selected based on past performance (as applicable), manager tenure, portfolio turnover, fees, and a variety of academic statistics including beta, standard deviation, R-Squared, and Sharpe Ratio. These statistics are provided by third-party vendors and the investment sponsors, and are evaluated by the asset allocation model manager as well as the SMHI Investment Committee on both an absolute and relative basis, relying on standards set by SMHI.

SMHI may obtain and utilize information and data from a wide variety of public and private sources. Neither SMHI nor Representative will independently verify or guarantee such information and data. In categorizing the asset classes of investments, SMHI will rely on prospectuses and information obtained from the issuer, its agents or through publicly available sources. Neither SMHI nor Representative shall be liable for any misstatement or omission contained in the information from these sources, or any loss, liability, claim, damage or expense, incurred, arising out of, or attributable to such misstatement or omission.

The client acknowledges that transactions for different Account(s) or for other clients' accounts may not be made at the same time, may be made on different days, and may be made over multiple days. In handling purchases and liquidations, SMHI will execute transactions without regard to pending dividend or capital gains distributions, stock splits, mergers or other corporate or financial events.

The client may impose reasonable restrictions on the management of the account. When imposing restrictions, the client may request that particular securities or types of securities not be purchased, or that such securities are to be sold if held in the account. However, the client cannot request that particular securities be purchased for the account. Moreover, the client should note that it is impossible for SMHI to influence or change the mix of securities held by any mutual fund or ETF included in the client's Account. SMHI reserves the right, in its sole discretion, to reject any account should the client request unreasonable or overly restrictive conditions.

## Trading Authorization and Reallocation

Once a model portfolio has been selected, SMHI has limited discretionary authority to invest the assets in the UMAP Account and to reallocate assets in the Account. When reallocating, SMHI changes the target percentages of some or all of the asset classes or types relative to the total account. The Account is monitored on an ongoing basis and assets are reallocated based on market or other conditions, as warranted. Changes in the asset allocation model, which include adding, removing, or replacing securities at the discretion of SMHI, are made based on significant changes in the economic, financial, or political climate; changes in the tax code; the management of the securities used by the asset allocation model; and/or the client's personal circumstances. SMHI may replace a particular security if it significantly diverges from its relevant index in terms of risk or return with a security that is more in line with the risk/return profile of the relevant index. Reallocations occur with less frequency than rebalancing and when SMHI reallocates accounts, it generally does so in anticipation of the impact that expected long-term market volatility could have on specific asset classes or types. Clients are notified of reallocations after the transactions are effected.

## **Rebalancing**

Each client's Account is invested in accordance with the client's asset allocation strategy. At the inception of an account, UMAP assets are invested in specific asset types including mutual funds and/or ETFs. Amounts invested in each asset type are determined in accordance with set target percentages of total assets in the Account. Thereafter, as markets fluctuate and values change, amounts originally allocated to an asset type will either exceed or fall below the original target allocations. SMHI periodically adjusts account holdings back to the original asset targets, or "rebalances" the Account. However, SMHI does not rebalance accounts constantly and asset allocations may drift away from their original target percentages before SMHI, within its authority and judgment, brings those allocations back in line to the original percentages. In a sense, when SMHI rebalances an Account, it sells holdings that are appreciating in value to buy other holdings that may be declining in value. However, the investment philosophy of an asset allocation strategy is to be positioned in various asset types so that when the asset type becomes profitable, the Account is positioned to take advantage of the upturn.

## **Risk of Loss**

SMHI does not guarantee the performance of the Account or any specific level of performance. Market values of the securities in the Account will fluctuate with market conditions. When the Account is liquidated, it may be worth more or less than the amount invested.

UMAP portfolios incorporate allocations to alternative investments, including mutual funds or ETFs invested in real estate investment trusts, arbitrage strategies, managed futures, commodities, initial public offerings, long/short strategies, and other non-traditional investments. Investment strategies also include allocation to international/global investments.

Investment in a portfolio that includes alternative investments presents additional risks which the client should consider when making an investment decision. These risks may include adverse market conditions risk, counterparty risk, currency exchange risk, derivatives risk, emerging markets risk, high portfolio turnover, IPO risk, leverage risk, and other risks depending on the investment. Alternative investments are frequently asset classes that are referred to as non-correlated (investments that move contrary to, or without influence from, broader markets). While including non-correlated assets may result in smoother portfolio performance with less volatility, there are no assurances that non-correlated assets will not decline in value.

International investments are subject to risks not associated with domestic investing. In addition to the risks generally associated with domestic investments, international investing is subject to currency, political, economic and social risks.

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

SMHI does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). SMHI does not engage in side-by-side management.

## **Voting Client Securities**

SMHI shall have no obligation or authority to take action or render advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in UMAP Accounts. Client expressly retains the authority and the responsibility for the voting of proxies.

## **Client Information Provided to Portfolio Managers**

The Representative will obtain information prior to opening an account regarding the client's financial situation, goals and investment objectives, risk tolerance, time horizon and other relevant factors, as described by the



client in selecting the client's asset allocation model. The Representative will also inquire as to the client's interest in imposing any reasonable restrictions on the management of the Account. The Investment Committee will be provided with information as to the asset allocation model selected by the client and will also be advised of any investment restrictions placed on the Account.

The Investment Committee will be advised anytime a client informs a Representative of a change in investment objective or financial circumstances that would result in a change in portfolio selection. The Representative will contact the client at least annually to determine if any changes have occurred that may affect the ongoing suitability of the portfolio selected and to determine if any new restrictions should be imposed on the Account.

## **Client Contact with Portfolio Managers**

Clients are generally free to contact SMHI and their Representative at any time during normal business hours via telephone, facsimile, mail or email. In-person meetings should be scheduled in advance to ensure that the Representative is available. A client can arrange a dialogue with a member of the Investment Committee if necessary by contacting the client's Representative to discuss the proposed agenda items and to arrange for a mutually agreeable date and time.

## **Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's evaluation of SMHI or the integrity of SMHI's management.

SMHI is a broker/dealer in addition to its activities as a registered investment adviser. In connection with its broker/dealer business, SMHI has been the subject of certain regulatory actions, some of which SMHI has determined to be immaterial. Others are summarized below:

On January 8, 2008, SMHI entered into a Letter of Acceptance, Waiver and Consent ("AWC") with the NASD (predecessor to FINRA) where SMHI neither admitted nor denied the allegations that during the period July 2000 until December 2005, SMHI (1) failed to establish, maintain, and enforce adequate procedures and systems that were tailored to ensure that its hedge fund, prime brokerage services, and soft dollar activities were in compliance with federal securities laws and rules, and pertained to supervision of its employees who provided services to funds utilizing the prime brokerage services divisions' platform; (2) allowed improper payment of \$325,000 in soft dollars to one hedge fund manager; and (3) lacked adequate procedures concerning the contents of hedge fund sales materials prepared and disseminated by SMHI and distributed sales literature that did not adequately disclose material investment risks to potential investors in accordance with NASD Notice to Members 03-07. During the period January 2003 until December 2004, SMHI (1) failed to retain certain e-mails and instant messages sent to and received by certain employees in the prime brokerage services division and (2) permitted an unregistered employee of the prime brokerage services division to engage in activities that required registration. In 2002, SMHI modified certain brokers' compensation structure so that they shared in the prime brokerage services profit pool, derived in part from commissions earned on the fund's trading. As a result, contrary to restrictions, from April 2002 to June 2004, the brokers shared indirectly in the commissions SMHI earned in the fund's trading, but did not amend the fund's offering document to accurately depict the sharing arrangement. SMHI was censured, paid a fine in the amount of \$450,000, and entered into an undertaking to have an independent consultant review SMHI's systems and procedures.

On June 16, 2008, SMHI entered into an AWC with the NASD where SMHI neither admitted nor denied the allegations that, during the period December 2002 until April 2004, SMHI failed to establish, maintain or

enforce a supervisory system and procedures reasonably designed to detect and prevent market timing activities and that SMHI failed to take supervisory action against a Representative who appeared to be market timing. SMHI was censured and paid a fine in the amount of \$45,000.

On November 20, 2008, SMHI consented to the entry of an Order brought by the Texas State Securities Board (“TSSB”) that alleged the firm failed to require two agents of an independent investment adviser within SMHI’s network to be appropriately registered to conduct business in the State of Texas. The TSSB found that SMHI failed to enforce a system reasonably designed to supervise the activities of its agents and also found that one of SMHI’s agents failed to disclose an outside advisory business activity. The firm was reprimanded and paid a fine in the amount of \$30,000.

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

In addition to advisory services, SMHI offers a broad range of financial services to clients. Currently, advisory services and fee-based business comprise only approximately 15% of SMHI’s total business. SMHI is also registered as a broker-dealer and is affiliated with another broker/dealer, certain investment advisers and an insurance agency as described below.

### **Broker-dealers:**

#### **Sanders Morris Harris Inc., registered broker-dealer (CRD No. 20580)**

As a result of the dual registration of Sanders Morris Harris Inc. as an investment adviser and broker-dealer, Representatives, principal executive officers and other related employees of SMHI may also be Registered Representatives, managers, and/or officers of the SMHI registered broker-dealer and FINRA member. SMHI may perform and receive compensation for, among other things, research, brokerage, asset management, underwriting of syndicate and secondary securities offerings, and similar services. The advice given and the action taken with respect to such services may differ from advice given or the timing and nature of action taken with respect to advisory accounts.

Dual registration may present a conflict of interest to the extent that a Representative recommends the purchase of security, which results in commissions being paid to the Representative as a registered representative of the broker-dealer. The commissions and fees charged by the broker-dealer are in addition to SMHI’s management fee and other fees and expenses of investment companies in which a client’s account may be invested.

SMHI may purchase or sell securities in which SMHI or its Representatives directly or indirectly have or may acquire a position or interest. In some circumstances SMHI may receive customary compensation from mutual fund companies, including 12b-1 fees for performing certain administrative and/or shareholder servicing related tasks associated with SMHI clients’ investments in such securities. SMHI and its Representatives may also be compensated for referral activity.

#### **Related Persons: Global Financial Services, LLC (“GFS”), registered broker-dealer (CRD No. 35699)**

Relationships and arrangements with related persons: GFS is a 48.75% owned subsidiary of SMHG, SMHI’s parent company. Certain members of the GFS Board of Managers also serve as officers and directors of SMHI. In addition, certain employees of SMHI maintain dual securities registrations with GFS and SMHI where services requiring registration are provided to both entities.

### **Investment Advisers:**

#### **Related Persons: Edelman Financial Services LLC (“EFS”)**

Relationships and arrangements with related persons: SMHG is the majority owner of EFS, an affiliated adviser of SMHI. EFS employees may also be Registered Representatives of SMHI in its capacity as a broker-dealer. Those Representatives may receive compensation from the sale of investment companies (mutual funds), insurance, and other investments to various clients. All such securities transactions are through the SMHI

broker-dealer. EFS anticipates that future employees may also be Registered Representatives of SMHI. Additionally, the EFS EMAP program may be solicited by SMHI Representatives. Finally, EFS provides certain administrative services in connection with UMAP. In those situations, EFS and SMHI would share in the program fees.

**Related Persons: SMH Capital Advisors, Inc. (“SMHCA”)**

Relationships and arrangements with related persons: SMHCA, an affiliated adviser of SMHI, is a wholly-owned subsidiary of SMHG. SMHCA employees may also be Representatives of SMHI in its capacity as a broker-dealer. Those Registered Representatives may receive compensation from the sale of investment companies (mutual funds), insurance, and other investments to various clients. All such securities transactions are through the SMHI broker-dealer. SMHCA anticipates that future employees may also be Registered Representatives of SMHI. Additionally, SMHCA could be selected by the client as the Portfolio Manager of the account. In such event, SMHCA and SMHI will share in the fees collected.

**Related Persons: Silverbay Capital Management, LLC (“Silverbay”)**

Relationships and arrangements with related persons: Silverbay is a partially-owned subsidiary of SMHI and is the Investment Manager to registered investment company products. Representatives of SMHI will offer the Silverbay products to SMHI clients. In such an event, SMHI and Silverbay may share in the compensation from the registered investment company product.

**Related Persons: GFS Advisors LLC (“GFSA”)**

Relationships and arrangements with related persons: GFSA is a 50.01% owned subsidiary of SMHG, SMHI’s parent company. Certain members of the GFSA Board of Managers also serve as officers and directors of SMHI.

**Insurance Agency:**

**Related Persons: HWG Insurance Agency, Inc.**

Relationships and arrangements with related persons: SMHI Representatives may also be licensed insurance agents for HWG Insurance Agency, Inc., a subsidiary of SMHI. If a client elects to purchase an insurance product through an SMHI employee or Representative, which may include life, accident, disability insurance and annuities, the Representative may receive a commission from those sales. This presents a conflict of interest to the extent that the Representative recommends the purchase of an insurance product resulting in a commission being paid to the Representative as an insurance agent.

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

SMHI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SMHI must acknowledge the terms of the Code of Ethics annually, or as amended.

SMHI’s clients or prospective clients may request a copy of the firm’s Code of Ethics by contacting Leslie Jallans, Chief Compliance Officer.

SMHI anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, SMHI may effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which SMHI, its affiliates and/or clients, directly or indirectly, have a position of interest. SMHI’s employees and persons associated with SMHI are required to follow SMHI’s Code of Ethics. In compliance

with the Code of Ethics and applicable laws, officers, directors and employees of SMHI and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for SMHI's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SMHI will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored to reasonably prevent conflicts of interest between SMHI and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis to obtain best execution and avoid price differential. In such circumstances, the affiliated and client accounts will share commission costs equally (if applicable) and transactions will be executed on an average price basis.

SMHI prohibits principal transactions in advisory client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

Although occurring on an infrequent basis, SMHI or its Representatives may effect transactions in which the client's securities are sold to or bought from an SMHI brokerage customer (i.e., an agency cross transaction). Agency cross transactions are only effected for those clients who have provided written consent. Written consent will be obtained only after the client has received full written disclosure that, with respect to agency cross transactions, SMHI or the Representative may act as broker and receive commissions from, and potentially have a conflicting division of loyalties and responsibilities regarding, both parties to such transaction. Client's written consent may be revoked at any time by written notice to SMHI. Each client will receive a written confirmation at or before the completion of each such transaction. The confirmation will include a statement of the nature of such transaction; the date the transaction took place; an offer to furnish, upon request, the time the transaction took place and the source and amount of any other remuneration received or to be received by the SMHI or the Representative in connection with the transaction; and an annual disclosure statement identifying the total number of such transactions and the total amount of all commissions or other remuneration received in connection with such transactions during the period. Under no circumstances will SMHI or a Representative make recommendations to parties on both sides of the transaction.

Representatives may buy or sell for themselves securities that they also recommend to clients. Securities purchased and sold for the account of a Representative or related person are purchased and sold on the same basis for a client according to the client's stated goals and investment objectives. In all instances, the positions would be so small as to have no impact on the pricing or performance of the security.

Representatives may hold positions in securities held or recommended to clients but may not front run or otherwise benefit from these positions. Internal procedures have been instituted to ensure that the client will be treated fairly in execution of all trades.

To avoid conflicts of interest, SMHI directors, officers or employees are prohibited from buying or selling securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of their employment, unless the information is also available to the investing public on reasonable inquiry. No associated person of SMHI shall place his or her own interests over those of the advisory client. Further, all Representatives must comply with all applicable federal and state regulations governing registered investment advisory practices.

## **Review of Accounts**

UMAP Accounts are monitored on an ongoing basis and accounts are rebalanced based on market or other conditions as warranted. Securities for Accounts are bought or sold by SMHI subject to its limited discretionary authority. Changes in the asset allocation model, which include adding, removing or replacing securities at the recommendation of the Representative, are made infrequently based on significant changes in the economic or political climate; the management of the securities used by the asset allocation model; and/or any restrictions the client may place on the investments in the Account.

On at least an annual basis the Representative will contact the client to update financial and personal information and to determine if there have been any changes in the client's investment objectives or personal circumstances that could impact the ongoing suitability of the Account. Reviews may also be conducted at the request of the client.

## **Nature and Frequency of Client Reports**

Clients participating in UMAP receive monthly account statements and confirmations (unless otherwise requested to be suppressed by the client) from the clearing broker-dealer, and generally have unlimited and continuous access to their account information through websites offered and maintained by the Account custodian.

## **Client Referrals and Other Compensation**

From time to time, SMHI may enter into solicitation agreements with individuals or entities whereby investment advisory accounts or private fund investors are solicited by SMHI and referred to another state or SEC-registered investment adviser. In these situations, SMHI may be compensated for the referral activity.

Similarly, SMHI may enter into solicitation agreements where investors are solicited by another individual or entity and referred to SMHI. In these situations, the individual or entity may be compensated by SMHI for the referral activity.

Solicitation agreements require that the solicitor perform his duties in accordance with the Investment Advisers Act of 1940 and appropriate state regulations and that the solicitor provides each prospective client with Part 2 of Form ADV for the firm receiving the referral and SMHI's separate written disclosure document.

## **Financial Information**

Registered investment advisers are required to provide clients with certain financial information or disclosures about its financial condition. Currently, SMHI has no financial condition that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients. To date, SMHI has not been the subject of any bankruptcy proceeding.

# **Privacy Policy**

## **Your Privacy is Important to Us**

At Sanders Morris Harris we recognize the importance of protecting your privacy. We strive to maintain the privacy of your personal nonpublic information while we help you achieve your financial objectives. The following disclosure explains what nonpublic personal information we collect about you, why we collect it, what we do with that information, and the steps we have put in place to protect the nonpublic personal information you have entrusted to us.

## **Information We Collect**

To serve you better and to manage our business, it is important that we collect and maintain accurate information about you. We collect nonpublic personal information about you, including, your name, address, Social Security number, and financial information, from the following sources:

- From you on the telephone, in person, or through mail;
- From you on applications or other forms you complete;
- Through transactions in your accounts with us, our affiliates, or others;
- From our internet website; and
- From third parties with whom we deal, such as a consumer reporting agency, to verify information we receive from you and your creditworthiness.

## **Protecting Your Information**

We restrict access to your nonpublic personal information to those employees and agents who need access to the information to perform their job functions or provide products or services to you. We protect your nonpublic personal information from access by third parties by maintaining physical, electronic, and procedural safeguards. We strive to ensure the protection of client personal information from receipt through destruction.

## **Information We Disclose to Third Parties**

We do not disclose any of your nonpublic personal information to non-affiliated third parties without your consent except as required or permitted by law or unless those parties are providing services or support to us and have agreed to keep your nonpublic personal information confidential. Examples of these parties include the companies or individuals we use to (a) execute and clear our securities transactions, (b) prepare and mail your account statements, (c) help us verify information, including identity, (d) provide us with consulting, legal, and accounting services, (e) help us develop, operate, and maintain our services and systems, and (f) provide services and products to you, such as mutual fund companies, investment management program sponsors, investment managers and advisers, and insurance companies. Even if you cease to transact business with us, we will continue to apply the same protections to your nonpublic personal information as we did when you were an active client.

## **The Sanders Morris Harris Group**

The Sanders Morris Harris Group is a family of related companies that are owned in whole or in part by Sanders Morris Harris Group Inc. (Nasdaq: SMHG). These affiliated companies allow us to provide greater value to our customers, employees, and shareholders. To provide you with the products and services you request, to serve you better, to manage our business, and as otherwise permitted or required by law, we may disclose personal information we collect about you to other Sanders Morris Harris Group companies. All of our affiliates follow the same privacy policies.

## **Changes to Our Privacy Policy**

We maintain a public internet site at [www.smhgroup.com](http://www.smhgroup.com). While this policy is delivered annually in writing, the policy may change from time to time. We will notify you of any changes. You can always review our current policy, and the names of the Sanders Morris Harris Group companies to which the policy applies, online. Following is a list of the Sanders Morris Harris Group companies to which this notice applies:

- Concept Capital, a division of Sanders Morris Harris Inc.
- Cummer/Moyers Capital Advisors
- Cummer/Moyers Financial Services
- HWG Insurance Agency
- Kissinger Financial Services
- Leonetti & Associates, LLC
- Miller-Green Financial Services, Inc.
- Sanders Morris Harris
- Sanders Morris Harris Inc.
- Sanders Morris Harris Group Inc.
- Signet Healthcare Partners, LLC
- SMH Asset & Wealth Management
- SMH Capital Advisors, Inc.
- SMH Partners
- SOF Management, LLC
- The Dickenson Group, LLC
- The Rikoon Group, LLC