

**Item 1 – Cover Page**



AULL & MONROE, INC.

**Aull & Monroe  
Investment Management Corporation**

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251-342-3339  
[www.aullmonroe.com](http://www.aullmonroe.com)

**March 23, 2021**

This Brochure provides information about the qualifications and business practices of Aull & Monroe Investment Management Corporation [“Aull & Monroe”]. If you have any questions about the contents of this Brochure, please contact us at 251-342-3339. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Aull & Monroe is a registered investment adviser with the SEC. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communication we provide to you is information for your use in determining whether to hire or retain us as your Adviser or to continue to maintain a mutually beneficial relationship with us.

Additional information about Aull & Monroe also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This Brochure dated March 23, 2021 is prepared in accordance with the requirements and rules of the United States Securities and Exchange Commission. Since our previous brochure dated March 30, 2020, the following material modifications have been made to this brochure:

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

The Aull & Monroe Mortgage Income, LLC (“LLC”), a privately held asset, is no longer held by any clients or outside parties of Aull & Monroe Investment Management. The information previously provided in this section regarding the LLC has been deleted in its entirety.

### Item 15: Custody

All reference made to the Aull & Monroe Mortgage Income, LLC has been removed from this section as Aull & Monroe is no longer deemed to have custody of client assets as defined by Rule 206(4)-2 (“Custody Rule”) of the Investment Advisers Act of 1940.

All other changes to Form ADV Part 2A are non-material in nature and include our most recent assets under management information.

Pursuant to SEC 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. We may further provide other ongoing disclosure information about material changes as necessary, without charge.

Currently, our Brochure and the supplements may be requested by contacting us at 251-342-3339. Additional information about Aull & Monroe 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 Aull & Monroe who are registered, or are required to be registered, as investment adviser representatives of Aull & Monroe.

Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	4
Item 7 – Types of Clients .....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9 – Disciplinary Information .....	8
Item 10 – Other Financial Industry Activities and Affiliations .....	8
Item 11 – Code of Ethics .....	8
Item 12 – Brokerage Practices .....	13
Item 13 – Review of Accounts.....	14
Item 14 – Client Referrals and Other Compensation.....	15
Item 15 – Custody .....	15
Item 16 – Investment Discretion .....	16
Item 17 – Voting Client Securities .....	17
Item 18 – Financial Information.....	17
Brochure Supplement(s)	

#### Item 4 – Advisory Business

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

Over the last thirty years, Aull & Monroe has grown through capital contributions, the reinvestment of earnings and new client relationships to reach over \$298,095,000 in discretionary assets under management as of December 31, 2020. Aull & Monroe does not manage assets on a non-discretionary basis.

Our investment philosophy is conservative, long-term and oriented toward a balanced portfolio of high quality stocks and investment grade bonds, augmented by a cash reserve. We also manage all-stock portfolios as well as mutual funds using no-load, low cost mutual funds. On behalf of our client partners, Aull & Monroe seeks superior relative returns over time through diversification, minimization of risk and the benefits of compounding.

Prior to engaging Aull & Monroe's services, a client is required to enter into a written agreement with Aull & Monroe setting forth the terms and conditions under which services are provided (collectively the "Agreement"). As part of this Agreement, Aull & Monroe

obtains a limited power of attorney from the client providing us with discretionary authority. This authorization gives Aull & Monroe complete authority to make all buy and sell decisions for all types of securities in the designated account. The managed accounts are held in the name of the client. The client has complete access to his account at all times and Aull & Monroe has no authority to make withdrawals from the account or make changes to the account ownership. Either Aull & Monroe or the client may choose to terminate the Agreement at any time upon written notice as outlined in the Agreement.

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

The specific manner in which fees are charged by Aull & Monroe is established in a client's written Agreement with Aull & Monroe. Aull & Monroe typically charges its clients a fee for the investment advisory services offered based on a percentage of assets under management. In certain limited situations, Aull & Monroe may charge a fixed fee or bill for hourly charges based on a mutually agreed amount between the client and Aull & Monroe. Aull & Monroe's management fee shall be computed and paid quarterly (every three months) in arrears, and shall be  $\frac{1}{4}$  of the annual fee that would be based upon the net asset value of the assets (market value) at the end of each three month period.

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

- Assets Under Management less than or equal to \$1,000,000:  
1.00% (0.0100) of market value
- Assets Under Management greater than \$1,000,000:  
1.00% (0.0100) of assets up to and including \$1,000,000  
0.80% (0.0080) of assets over \$1,000,000
- Assets Under Management greater than \$5,000,000:  
Negotiable, not to exceed 1% of assets under management

Aull & Monroe, on its own discretion, may negotiate and charge a fee less than that specified above based on certain situations (i.e. account composition such as more fixed

income which generally requires less time and research to manage, anticipated future contributions, related accounts, etc.).

Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Aull & Monroe's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Aull & Monroe's fee, and Aull & Monroe shall not receive any portion of these commissions, fees, and costs. Aull & Monroe as a matter of practice only invests in mutual funds with no load. Those clients whose assets are invested in mutual funds are paying two advisory fees, an investment advisory fee to Aull & Monroe on the mutual funds managed and an additional advisory fee to the mutual fund manager.

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

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

As part of its regular business, Aull & Monroe may recommend that a client rollover its company retirement plan assets to an individual retirement account (an "IRA"). We generally will charge the standard fees as described above for management of these assets. There may be a conflict of interest in making this recommendation to you since there is a possibility that either (1) Aull & Monroe did not previously manage the retirement plan assets and therefore did not receive a fee but now will for managing the IRA assets, or (2) there are certain low expense investment options available through the company plan that would not be available through the IRA. In addition, there may be other advantages of maintaining assets in a qualified plan. The advantages and disadvantages of rolling over your qualified plan to an IRA will be discussed prior to making a final recommendation to you.

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

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

### **Item 7 – Types of Clients**

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

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

selecting an asset allocation (i.e. equity/fixed income/cash) based on their individual situation. We provide education to these plan participants to assist them in making the best decision based on their individual needs and risk tolerance.

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

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

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

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

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

Aull & Monroe’s strategy also calls for a very low rate of portfolio turnover. The turnover rate of accounts managed by Aull & Monroe is generally lower than that of the average



asset manager and rarely exceeds 15 percent per year. While Aull & Monroe buys and sells securities based on the perception of value, economic conditions, trends and client needs, they do not attempt to “time the markets” in relation to significant movements of assets into and out of common stocks.

### **Principal Risks of Investing**

All investments are inherently risky, and setting a goal to earn superior returns, by its very nature, entails varying degrees of risk taking. Investing in securities involves risk of loss that clients should be prepared to bear. Aull & Monroe uses several well-recognized methods to minimize risk. Portfolios may be diversified by including different classes of assets such as stocks, bonds and money market funds as well as through diversification among different industry groups within each asset class. Performance could be hurt by:

- *Issuer risk.* Securities held in managed portfolios may decline in value because of changes in the financial condition of, or other events affecting, the issuers of these securities.
- *Equity risk.* Equity securities generally have greater price volatility than fixed income securities.
  - *Investing in growth stocks* - may involve greater price fluctuations and greater potential for loss than other types of investments.
  - *Investing in income-oriented stocks* - may result in reduced income due to changes in dividend policies of, and capital resources available to, the company.
- *Fixed income/bond risk.* Rising interest rates will typically cause the prices of bonds and other debt securities to fall. Falling interest rates may also cause an issuer to redeem, call or refinance a security before its stated maturity. Longer maturity debt securities may be subject to greater price fluctuations than shorter maturity debt securities.

- *Credit risk.* Credit risk is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- *U.S. government backed securities.* These securities are only backed by the U.S. Treasury or the full faith and credit of the U.S. government and guaranteed only as to the timely payment of interest and principal when held to maturity. The current market values will fluctuate with changes in interest rates. Securities issued by government sponsored entities and federal agencies are neither issued nor guaranteed by the U.S. government.
- *Market risk.* Prices of, and income generated by, securities may decline over short or extended periods due to general market conditions.
- *Management risk.* Aull & Monroe's opinion about the intrinsic worth of a company or security may be incorrect, purchases and sales may not be made timely in a client's account and the market may continue to undervalue a security.
- *Liquidity risk.* Aull & Monroe may not be able to sell a security in a timely manner or at desired prices.
- *Non-U.S. issuer risk and foreign exposure risk.* Foreign securities (including ADRs) and securities with significant foreign exposure may decline in value because of political, economic or market instability. Sometimes there is an absence of accurate information about foreign companies as well as exposure to unfavorable government actions, including expropriation and nationalization. Lack of uniform accounting, auditing and financial reporting standards, with less government regulation and oversight than U.S. companies may also increase risk.

Certain investments made with Aull & Monroe are not deposits of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

## **Item 9 – Disciplinary Information**

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

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

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

## **Item 11 – Code of Ethics**

Pursuant to Rule 204A-1 under the Advisers Act, Aull & Monroe 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 Aull & Monroe must acknowledge the terms of the Code of Ethics annually, or as amended.

Aull & Monroe anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Aull & Monroe has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Aull & Monroe, its affiliates and/or clients, directly or indirectly, have a position of interest. Aull & Monroe's employees and persons associated with Aull & Monroe are required to follow Aull & Monroe's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Aull & Monroe and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Aull & Monroe's clients. The Code of

Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Aull & Monroe 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. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Aull & Monroe's clients. In addition, the Code requires pre-clearance of many 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 under the Code of Ethics, and to reasonably prevent conflicts of interest between Aull & Monroe and its clients.

Aull & Monroe's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the chief compliance officer, Jamie L. Thuss.

It is Aull & Monroe's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Aull & Monroe will also not cross trades between 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. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Aull & Monroe, its employees or other affiliated persons, (hereinafter "associated persons") may, for their personal accounts, buy or sell securities identical to those recommended to clients. Additionally, any associated person(s) may have an interest or position in a certain security (ies) which may also be recommended to a client. As these situations may

represent a potential conflict of interest, Aull & Monroe has established the following restrictions in order to protect the interests of its clients:

Personal Securities Transactions

These requirements and restrictions apply to all personal securities transactions of the associated person and his/her immediate household. At the firm's discretion, exceptions may be granted in certain unusual circumstances.

- A. Associated persons may not buy or sell securities for their own 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. It is the expressed policy of the firm that no associated person may knowingly purchase (or sell) any security in advance of a transaction being implemented for its advisory accounts with the intention of benefiting from transactions placed on behalf of advisory accounts.
- B. Associated persons are required to make accurate reports to the firm within thirty (30) days following the month end of each calendar quarter with respect to their personal securities transactions and those of the members of their immediate household. Associated persons are not required to report transactions in U.S. Treasury securities, Certificates of Deposit, money market funds or registered mutual funds not managed or advised by the firm.
- C. With certain exception, associated persons shall wait until the following trading day with respect to making personal trading in securities which are being purchased/sold by the firm on behalf of client accounts managed or advised by the firms, or are under consideration for purchase/sale on behalf of client accounts managed or advised by the firms. Exceptions, none of which shall negate the requirements of paragraphs A and B above, to this waiting period include: (1) Trades involving the purchase or sale of one thousand (1,000) or fewer shares in any stock with a market capitalization of \$1 billion or greater; (2) Trades involving securities which are not included in or are not under consideration to be included in the portfolio of stocks recommended for client accounts.
- D. Personal trading of associated persons may be subject to cancellation should a conflict

arise.

- E. Associated persons are strictly prohibited from acquiring any securities in any initial public offering.
- F. Associated persons are prohibited from acquiring any securities pursuant to a private placement without prior written authorization by an appropriate person(s) of the firm.
- G. The firm maintains a list of all securities holdings for themselves, and anyone associated with this advisory practice with access to advisory recommendations. An appropriate person of the firm reviews these holdings on a regular basis, and makes timely reports to the appropriate officers/directors.
- H. Any associated person not in observance of the above may be subject to termination.

#### Aggregated Trades

As a matter of general practice, Aull & Monroe does not aggregate trades. It is Aull & Monroe's policy to provide individual investment advice and treatment to each of its clients. Aull & Monroe reviews each client portfolio individually and on its own merits. Orders are placed in clients' accounts separately as the portfolio manager deems appropriate given the market conditions. While Aull & Monroe has a fiduciary duty to seek best execution for its clients, it maintains that the determinative factor is not always obtaining the lowest possible price, but rather the best qualitative execution. To that end, by electing not to aggregate trades some clients' orders for the same security may be executed at higher or lower prices than others (i.e. aggregating orders would allow all clients to receive an average share price which could be higher or lower than the price actually received through separate trades). Aull & Monroe has determined its clients are not forfeiting reduced commission rates by placing individual trades as opposed to aggregating trades (i.e. aggregating orders will not decrease the per share execution costs for our clients).

In rare instances and at the portfolio manager's discretion, Aull & Monroe may elect to aggregate trades:

- 1) Aull & Monroe's policies for the aggregation of transactions are fully disclosed in this Form ADV and to the broker/dealers through which such transactions will be placed.
- 2) Aull & Monroe will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of Aull & Monroe's investment advisory agreement with each client for which trades are being aggregated.
- 3) No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all Aull & Monroe's transactions in a given security on a given business day. If Aull & Monroe aggregates trades, the aggregated order may only be for client accounts custodied with that particular broker-dealer/custodian (i.e. separate aggregated trades may be placed with each broker/dealer).
- 4) Aull & Monroe will prepare, before entering an aggregate order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among the clients.
- 5) If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated pro-rata, based on the Allocation Statement, or randomly in certain circumstances.
- 6) Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of Aull & Monroe no later than one hour after the opening of the securities markets on the trading day following the day the order was executed.
- 7) Aull & Monroe's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by and bought and sold for that account.
- 8) Funds and securities of clients whose orders are aggregated will be deposited with one

or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and

- 9) Aull & Monroe will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

## Item 12 – Brokerage Practices

Aull & Monroe typically recommends that clients establish a brokerage account with Charles Schwab and Company, Inc. ("Schwab") to serve as the qualified custodian and to execute securities transactions. When the client so desires Aull & Monroe will utilize another discount brokerage firm or full service broker.

Aull & Monroe does not have formal contracts or arrangements with banks, broker-dealers, or their firm representatives, nor do they provide compensation for referrals from these entities. In the case of a referral from a broker-dealer, a conflict of interest may exist between the client's interest in obtaining best execution and Aull & Monroe's interest in receiving future referrals from the referring broker-dealer.

All clients may choose a custodian of their choice to hold their assets. If a client chooses to direct its brokerage to a specific broker-dealer, the client has various brokerage options, including utilizing the services of: 1) the referring broker, if any, 2) any other broker that the client desires or 3) any firm retained generally by Aull & Monroe to provide custody and execution services for clients. Clients choosing a full service broker should be aware that based on their choice of broker-dealer, they may not necessarily receive the best execution (i.e. best available price and most favorable execution) from their chosen broker-dealer as may be available from "discount brokers."

Aull & Monroe performs a periodic evaluation of its broker-dealers to provide clients with detailed information regarding their broker-dealer options. The review looks at the per share commission rates, execution quality (including the ability to execute, clear and settle



trades), research and overall reputation and financial strength as well as services provided by the different broker-dealers to Aull & Monroe and our clients. Among these items, Aull & Monroe reviews the investment products offered (including access to mutual funds that might normally require higher investment minimums), the availability to facilitate payments and transfers to and from brokerage accounts and other service oriented transactions as requested by our clients.

Aull & Monroe participates in Schwab's Institutional (SI) service program. While there is no direct link between the investment advice given and participation in the SI program, economic benefits are received which would not be received if Aull & Monroe did not give investment advice to clients. These benefits include, but may not be limited to: receipt of duplicate client trade confirmations and statements; access to trading desk serving SI advisers exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access to an electronic network for client order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments, or are generally available only to institutional investors. In addition, Schwab also provides through its SI program other benefits such as educational events, technical, legal and business support services as well as compliance updates.

The benefits received through participation in the SI program do not necessarily depend upon the proportion of transactions directed to Schwab.

### **Item 13 – Review of Accounts**

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

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

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

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

Neither Aull & Monroe nor its employees have any arrangements to receive cash or some economic benefit from a non-client in connection with giving advice to clients.

As an investment adviser, Aull & Monroe receives without cost to them, access to the Schwab Advisor Center website for Charles Schwab. This site provides services which allow Aull & Monroe to better monitor client accounts. While this may benefit Aull & Monroe, it may not directly benefit its clients.

#### **Item 15 – Custody**

As a general rule, Aull & Monroe does not take custody or possession of client funds or securities. Clients maintain brokerage or retirement plan accounts in their own name with an unaffiliated qualified custodian. Clients receive at least quarterly statements from the

broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. In addition, clients receive trade confirmations directly from the custodian for trades placed by Aull & Monroe on their behalf. Aull & Monroe urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Aull & Monroe's custody of its clients' assets is limited to its ability to debit quarterly management fees from the client's. Clients have the option of being billed directly for the quarterly management fee due Aull & Monroe or to have the fee debited directly from the managed account held by an outside custodian. If the client opts to have the fee debited directly from the managed account, the client must sign a written authorization provided by either Aull & Monroe or the account custodian. The client may cancel the authorization at any time through a written request. The authorization limits the withdrawal power of Aull & Monroe only to debiting the management fee and does not permit Aull & Monroe to make any other transfers or withdrawals on the account. The client will receive a copy of the billing statement from Aull & Monroe. The withdrawal will also appear in the transaction section of the statement from the account custodian.

### **Item 16 – Investment Discretion**

At the time an advisory relationship is established between Aull & Monroe and a client, Aull & Monroe receives discretionary authority from the client. This limited power of attorney permits Aull & Monroe to select the identity and amount of securities to be bought or sold. It includes the authority to make all buy and sell decisions for all types of securities in the designated account. Explicitly excluded from the discretionary authority is the right to withdraw funds and/or securities from the managed account or to change or alter the name on the account. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Aull & Monroe observes the investment policies, limitations and restrictions of the clients for which it advises.

Investment guidelines and restrictions are discussed and recorded during the initial client meeting and on an on-going basis as the client's financial situation and investment objectives change.

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

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

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

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

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Aull & Monroe's financial condition. Aull & Monroe has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.