



**Item 1 - Cover Page**

**Texas Capital Bank Wealth Management Services, Inc.  
d/b/a  
Texas Capital Bank Private Wealth Advisors  
CRD# 298422**

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**Brochure  
Dated  
March  
31, 2023**

This brochure ("Brochure") provides information about the qualifications and business practices of Texas Capital Bank Wealth Management Services, Inc. d/b/a Texas Capital Bank Private Wealth Advisors (the "Adviser", or "PWA"). If you have any questions about the contents of this Brochure, please contact the Adviser at 214-210-3092 or [joshua.jervis@texascapitalbank.com](mailto:joshua.jervis@texascapitalbank.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state authority.

Additional information about the Adviser also is available on the SEC's website at **[www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov)**.

## **Item 2 - Material Changes**

This Brochure is a document which the Adviser provides to its clients as required by the SEC's rules.

The purpose of Item 2 of the Brochure is to provide clients with a summary of new and/or updated information that is contained in the remainder of the Brochure. This Brochure contains updated information after the Adviser's most recent periodic review.

The Adviser added an affiliation with the Texas Capital Bank's Investment Bank Broker Dealer, TCBI Securities. Both PWA and TCBI Securities are wholly owned subsidiaries of Texas Capital Bank.

The Adviser has amended its business plan to include insurance as a product whereas in the past, it was offered as an accommodation for clients.

The Adviser has broadened its product offering to include State and Municipal Government entities, typically for the purchase of treasury securities.

The Adviser will provide clients with a new Brochure as necessary based on changes, new information, or at a client's request, at any time, without charge.

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## **Item 4 - Advisory Business**

### General Information

Texas Capital Bank Wealth Management Services, Inc., d/b/a Texas Capital Bank Private Wealth Advisors, a Texas corporation, was formed in April 2002.

### Advisory Services

The Adviser provides financial planning, wealth strategy and family governance consultation, and portfolio management services to high-net-worth individuals, trusts, foundations, endowments and corporate entities, including, but not limited to, family-operated businesses.

At the outset of each client relationship, the Adviser spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and broadly identifying major goals of the client. Specifically, the Adviser may discuss with the client cash flows, required distributions, significant life events, risk tolerance and return expectations.

Generally, clients engage the Adviser to prepare a financial plan. This written report is presented to the client for consideration. The financial plan will typically lead to a recommendation of an investment strategy. Ideally, upon completion of the plan, clients retain the Adviser to manage the investment portfolio on an ongoing basis. However, there are cases in which clients retain the Adviser solely to prepare a full financial plan.

### *Financial Planning*

The Adviser offers financial planning services, as described below. While financial planning services typically begin prior to ongoing portfolio management, the Adviser will revisit the client's financial planning needs throughout the entire relationship as appropriate.

Financial planning may include advice that addresses one or more areas of a client's financial situation, such as risk management, budgeting and cash flow controls, retirement planning, education funding and investment portfolio design and ongoing management. Depending on a client's situation, financial planning may include some or all of the following:

- Gathering factual information concerning the client's personal and financial situation;
- Assisting the client in establishing financial goals and objectives;
- Analyzing the client's present situation and anticipated future activities in light of the client's financial goals and objectives using scenario planning and probability analysis;
- Identifying problems foreseen in the accomplishment of these financial goals and objectives and offering possible solutions to the problems;
- Making recommendations to help achieve retirement plan goals and objectives;
- Designing an investment portfolio to help meet the goals and objectives of the client;
- Assessing risk and reviewing basic health, life and disability insurance needs; or
- Reviewing goals and objectives and measuring progress toward these goals.

Once financial planning services are provided, the client may choose to have the Adviser implement the client's financial plan and manage the investment portfolio on an ongoing basis. However, the client is under no obligation to act upon any of the recommendations made by the Adviser under a financial planning engagement and/or engage the services of any recommended professional.

### *Wealth Strategy and Family Governance Consultation*

The Adviser consults with clients on wealth strategy and family governance matters. Wealth strategy consultation may include consultation about all aspects of estate planning, charitable planning, business succession planning and business structuring. Family governance consultation may include assisting families with communication strategies around family wealth; facilitating family meetings to discuss financial, business, charitable and estate planning matters; and strategizing about structures that families may establish to formalize the way families make certain decisions together. In providing its wealth strategy and family governance consultations, the Adviser is not providing tax or legal advice to clients, and clients are encouraged to engage outside tax and legal advisers when necessary to implement wealth strategy and family governance strategies.

### *Portfolio Management*

Based on its review of the information provided by the client, the Adviser generally develops with each client an understanding of the client's financial circumstances and goals, and the client's risk tolerance level (the "Financial Profile"), as well as the client's investment objectives and guidelines (the "Investment Plan").

The Financial Profile reflects the client's current financial situation and a look to the future goals of the client. The Investment Plan outlines the types of investments the Adviser will make on behalf of the client based on the Adviser's own research and analysis to meet those goals. The elements of the Financial Profile and the Investment Plan are discussed periodically with each client but are not necessarily written documents.

To implement the client's Investment Plan, the Adviser will manage the client's investment portfolio on a discretionary basis pursuant to an investment advisory agreement with the client. As a discretionary investment adviser, the Adviser will have the authority to supervise and direct the portfolio without prior consultation with the client. Client portfolios are generally constructed using mutual funds, exchange traded funds, structured notes and through sub-advisory arrangements. The Adviser uses one or more of these vehicles when appropriate and in accordance with the Investment Plan. Having access to a wide range of distribution channels such as mutual funds, sub-advisory arrangements and pooled vehicles offers clients a greater opportunity to meet his or her needs and investment objectives.

Each component of a client's portfolio, whether a mutual fund, exchange traded fund, separate account manager, or through a sub-advisor arrangement plays a unique role in driving the portfolio toward the client's risk and return goals. These component managers are sourced, evaluated and selected using a regular review process performed by the Advisers' Investment Team. All decisions on hiring, retaining, and terminating component managers used in the client portfolios are made solely by the Adviser's Investment Team. More information can be found in Item 8.

### *Other Considerations*

Non-discretionary accounts are available for client assets as an accommodation. Clients who choose a non-discretionary arrangement must be contacted prior to the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on the Adviser in the

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

#### Principal Owner

Texas Capital Bank is the sole principal owner of the Adviser.

As owner, Texas Capital Bank provides certain services and oversight of the Adviser's activities. Services include internal audit, regulatory compliance, risk management and business operations. Operational and business risk oversight are provided by bank enterprise risk committees.

#### Type and Value of Assets Currently Managed

As of December 31, 2022, the Adviser has \$2,793,437,859 in discretionary assets under management.

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

#### Planning Fees

Generally, clients are not charged a separate fee for financial planning services or for consulting on wealth strategy and family governance matters. Instead, these services are treated as part of the overall set of services for which compensation is received by the Adviser through portfolio management fees. In certain cases, however, an additional fee may be charged to clients for financial planning services or for consulting on wealth strategy and family governance matters based on the scope of work required. Any such separate fee would be charged only upon prior written approval from the client as to the amount of such additional fee and the scope of services requested.

#### General Portfolio Management Fee Information

Clients enter into one of two fee arrangements. For most, but not all, discretionary portfolio management services, clients generally participate in the Wrap Fee Program sponsored by the Adviser (the "Wrap Program"). The Wrap Program fee structure includes the brokerage expenses (*e.g.*, commissions, ticket charges, etc.) of the account, charges for custody services and the management fee paid to the Adviser. Under the Wrap Program, the Adviser will assess one client fee that captures the management, brokerage, custody and administrative portions collectively. Any portion of Wrap Program fees that the Adviser does not pay to third parties in connection with transaction and execution expenses is retained by the Adviser. Because of this, the Adviser may have a disincentive to trade securities in client accounts. The Adviser does not have a minimum portfolio asset value size requirement for participation in the Wrap Program but, in its discretion, may establish one in the future.

For most non-discretionary portfolio management services, clients will pay management fees to the Adviser separately from the brokerage expenses and transaction costs of the account. The brokerage expenses may take the form of asset-based pricing, meaning that the broker/dealer charges the account a flat-rate percentage to cover all brokerage expenses, or these expenses may be assessed on a per-trade basis. Please see **Item 12 - Brokerage Practices** for additional information.

In either of these arrangements, the fees noted above are separate and distinct from the internal fees and expenses charged by mutual funds, exchange traded funds ("ETFs") or other investment pools to

their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from the custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. The client should review all fees charged by funds, brokers, the Adviser and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

#### *Portfolio Management Fees*

With the exception of portfolio management provided in relation to various fixed income strategies, the annual fee schedule for portfolio management for portfolios of less than \$5,000,000, based on a percentage of assets under management, is as follows:

Fee Rate	Assets Under Management
1.25%	of the first \$1,000,000
1.00%	of the next \$1,000,000
0.80%	Remaining Balance

With the exception of portfolio management provided in relation to various fixed income strategies, the annual fee schedule for portfolio management for portfolios of \$5,000,000 or more, based on a percentage of assets under management, is as follows:

Fee Rate	Assets Under Management
0.80%	First \$5,000,000
0.60%	of the next \$5,000,000
0.50%	of the remaining Balance
Negotiated	Greater than \$20,000,000

The annual fee schedule for portfolio management for portfolios managed consisting solely of various fixed income strategies, based on a percentage of assets under management, is as follows:

Fee Rate	Assets Under Management
0.60%	\$0-\$2,500,000
0.55%	\$2,500,001-\$5,000,000
0.50%	\$5,000,001-\$10,000,000
0.45%	More than \$10,000,000

The Adviser may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where the Adviser deems it appropriate under the circumstances.

Portfolio management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made.

Either the Adviser or the client may terminate their investment advisory agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to the Adviser from the client will be invoiced or deducted from the client's account prior to termination.

#### *Sub-Advisory Arrangement Fees*

When one or more Managers are utilized in a sub-advisory arrangement, typically the sub-adviser(s)' fees will be separate from and in addition to the Adviser's fee, regardless of whether the client is participating in the Wrap Program.

#### *Wrap Program Fees*

Fees for clients participating in the Wrap Program are charged in accordance with the annual fees described above. With respect to clients participating in the Wrap Program, the Adviser generally receives the total fee charged less the amounts paid by the Adviser for all transaction and execution expenses.

#### Other Compensation

When requested by a client, the Adviser may provide brokerage and insurance services to the client relationship.

*Insurance Disclosure:* Certain employees of the Adviser are also licensed to sell insurance products. In providing advisory services, these individuals may recommend the purchase of products under circumstances where they would be entitled to receive a commission or other compensation in the transaction; however, all compensation is paid directly to the Adviser and not to the specific employee of the Adviser. In all such circumstances, however, the client will be notified of this payment in advance of the transaction, and under no circumstances will the client pay both a commission to an employee of the Adviser for an insurance product and an advisory fee to the Adviser on the same pool of assets.

*Broker Disclosure:* Certain employees of the Adviser are also Registered Representatives of Kingswood Capital Partners, LLC ("Kingswood"), a FINRA and SIPC member and registered broker-dealer. As such, these employees are entitled to receive brokerage commissions, however, by contract between *Kingswood* and Texas Capital Bank, all compensation is paid directly to the Bank. Brokerage accounts are provided as an accommodation for clients; generally, these accounts hold legacy client positions such as variable annuities. No management fees are charged. Clients will pay any transaction charges assessed by the relevant custodian. In order to protect client interests, the Adviser's policy is to fully disclose all forms of compensation before any such transaction is executed. The Adviser and its employees will not charge the same client account for both brokerage commissions generated for an employee of the Adviser and advisory fees payable to the Adviser. For the avoidance of doubt, this policy will have no effect on transaction fees and/or custody fees charged by the custodian of a client account.

As a result of this relationship, certain Kingswood employees may have access to confidential information (e.g., financial information, investment objectives, transactions, and holdings) about the Adviser's clients, even if the client does not establish any account through Kingswood. Clients may contact the Adviser for a copy of Kingswood's privacy policy.

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

The Adviser currently does not have any performance-based fee or side-by-side arrangements.

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

The Adviser serves high net worth individuals, their families, trusts, foundations, endowments, and corporate entities, including, but not limited to, family-operated businesses, and state and municipal governments



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

### Methods of Analysis

The Adviser reviews each client's Investment Plan and develops an investment strategy for each client. The primary vehicles for investment used by the Adviser are common stock, fixed income securities, mutual funds (including money market mutual funds), ETFs, convertible securities, options, real estate investment trusts, structured notes, master limited partnerships, limited partnership interests such as alternatives or separately managed accounts ("SMAs") in sub-advisory arrangements. In selecting investments for an individual account in accordance with the client's Investment Plan, the Adviser uses vehicles reviewed and approved by the Adviser's Investment Team. Depending on the client's needs, the Investment Team may invest in an exchange traded fund, an actively managed mutual fund or index, or an outside manager using a SMA in a sub-advisory arrangement.

Portfolio construction and allocation decisions are made by the Adviser's Investment Team. The Adviser's Investment Team meets regularly and consists of investment advisers led by the Chief Investment Officer of the Adviser. Portfolio decisions are guided by market and economic indicators supplied by vendor and internal research. These indicators are based on economic data, fundamental factors and technical analysis and incorporated into the Adviser's 4R process.

The Adviser implements an investment strategy based on our "Four Rs" (Risk Tolerance, Expected Returns, Ranked Indicators, and Review and Monitor) methodology which includes:

- Determining risk tolerance and horizon from the client's Investment Plan. These factors are set forth in the Investment Policy Statement
- Determining expected returns of a risk-controlled portfolio – with the objective of meeting or beating the client's long-term plan
- Building a diversified portfolio of assets, mindful of the risk tolerance and investment objective that:
  - 1) uses a range of investment strategies to control risk, and
  - 2) utilizes best-in-class managers with no proprietary products
- Ranking market and asset class relative value using our proprietary scoring tools
- Reviewing, monitoring and adjusting the portfolio without emotional reaction and as client needs and objectives change or based on:
  - 1) observed shifts in macroeconomic trends
  - 2) our indicators, and/or
  - 3) manager due diligence reviews

Regular ranking of market and asset class indicators helps the Adviser capture intermediate and long-term trends in markets – and not react to short term swings that can impact performance and raise expenses. The Investment Team utilizes a variety of resources which allows us to accumulate different points of view on market trends (both domestic and international). The Investment Team brings those differing perspectives into regular meetings to determine the Adviser's short-term and long-term view on the markets and economy to determine if any tactical changes to our clients' portfolios are needed.

The Adviser's market and asset class indicators are broken down into various groupings related to:

- Economic Activity
- Stock vs. Bond allocations
- Stock market strength, both global and domestic
- Bond and interest rate markets' strength
- Commodity strength

On the Micro or sub-asset class level, indicators are grouped to give insights into positioning between:

- Domestic vs. International stocks
- Developed vs. Emerging Markets stocks
- Style (Growth vs. Value)
- Capitalization (Large vs. Medium vs. Small)
- Fixed Income (Core vs. Opportunistic, i.e., High Yield)

Using the Four Rs, the Investment Team makes tactical asset allocation decisions which are intermediate term in nature and provide an overlay to the Adviser's long-term strategic asset allocation framework. These tactical asset allocation decisions are implemented based on current market conditions as a part of our client reviews. The portfolio allocation by asset class and sub asset class may slowly move between minimum and maximum portfolio risk ranges and can be expected to do so based on the Investment Team's scoring. These tactical asset allocation movements allow for the portfolio to be shifted opportunistically to capitalize on investment trends identified by the Investment Team.

The Adviser performs its own due diligence for the selection of asset class managers and index vehicles. For alternative funds such as hedge and private equity partnerships, the Adviser reviews diligence performed by outside parties, as described further below. The Adviser's Investment Team reviews all managers at least annually. Selection and monitoring of mutual funds and exchange traded funds is based on qualitative and quantitative factors. Qualitative factors can include, but are not limited to, personnel history, turnover, investment philosophy and security selection process. Quantitative factors include performance versus appropriate benchmarks and peers, up and down capture, volatility, position concentrations, and liquidity. Managers can be placed on and removed from, watch lists for performance and other reasons. Once on watch, the Investment Team can remove client assets from the manager in subsequent quarters if scoring criteria is not met. The Adviser will always seek to minimize costs to the client by using the lowest expense share class available. The Adviser does not receive 12b-1 fees.

Equity investments may be used as a portion of a strategic portfolio. Generally, the role played by equities is to provide growth in excess of inflation and, in certain situations, dividend income. The Adviser may utilize actively managed mutual funds, index mutual funds, exchange trade funds and in some cases a separately managed account managed by an outside third-party manager.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. The Adviser may evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration. The Adviser may utilize fixed income strategies, including, but not limited to bond laddering, and may recommend corporate, municipal, or U.S. Treasury or federal agency bonds.

#### Separate Account Managers

The Adviser utilizes one or more Separate Account Managers, each a "Manager", when appropriate and in accordance with the Investment Plan for a client. The Manager may or may not enter into a separate sub-advisory agreement with the Adviser or client. A Manager is only used for a portion of the client's assets, e.g., large company growth stocks and high yield bonds. The Adviser will usually select the Manager(s) it deems most appropriate for the client. Factors that the Adviser considers in recommending/selecting Managers generally include the client's stated investment objective(s), management style, the manager's philosophy, investing process, performance, risk level, reputation,

financial strength, reporting, pricing, and research.

These component managers are sourced, evaluated and selected using a regular review process performed by the Advisers' Investment Team. All decisions on hiring, retaining, and terminating component managers used in the client portfolios are made solely by the Adviser's Investment Team. Under certain circumstances, the Adviser retains the authority to terminate the Manager's relationship or to add new Managers without specific client consent.

In some cases, the client will select one or more Managers recommended by the Adviser and enter into separate sub-advisory agreements with such Managers ("dual contracts"). This sub-advisory arrangement is separate and distinct component from when the Managers provide investment advice without dual contracts as described above. Managers in sub-advisory arrangements ("sub-advisers") can be recommended for a client portfolio when the Investment Team believes it is appropriate and will only occur when a client agrees to such an arrangement.

Sub-adviser monitoring performed by the Investment Team is similar to the process described above for mutual fund managers. The Adviser will continue to provide investment advisory services to the client relative to the client's portfolio, objectives, and the portion of the portfolio allocated to the outside manager(s). The Adviser has a contractual relationship with Raymond James & Associates, Inc., and Fidelity Institutional, members of the New York Stock Exchange/SIPC, asset management services divisions to source, perform due diligence and contract with certain outside sub-advisers. The Adviser receives no compensation for this service. Clients who agree to use outside sub-advisers via the Raymond James and Fidelity platforms pay a separate management fee on the portion of their portfolio managed by the outside sub-adviser.

#### Alternative Asset Managers

The Adviser recommends private equity, and certain hedge fund strategies where appropriate for a client's investment plan. The Adviser has contractual relationships with Alternative Investment Managers to source and perform due diligence, provide accounting and other services and a client online portal. The Adviser receives no compensation for this service. Clients who agree to invest with one or more managers via the Alternative Investment platforms will be charged a separate fee on the assets invested with the Alternative Investment managers. Clients are under no obligation to utilize alternative or third-party managers recommended by the Adviser.

#### Investment Strategies

The Adviser builds and manages portfolios using a broad range of asset classes and strategies. A number of strategies and asset classes are sourced from outside managers using mutual funds, ETFs, and separately managed accounts. Depending on client needs and requests, an internally managed portfolio may be appropriate. In those situations, the Adviser offers the investment strategies described below.

##### *Enhanced Dividend Growth Strategy*

The Enhanced Dividend Growth Strategy seeks to generate current income and capital appreciation by making core investments in a focused, yet sector diversified, stock portfolio and writing covered calls to generate additional income as an overlay strategy. The stock portion of a portfolio managed pursuant to the strategy generally targets companies the Adviser identifies as large market capitalization companies with histories of increasing dividend distributions, good balance sheets, and leadership in their respective industries.

The covered calls written by the Adviser as part of this strategy naturally relate to the stocks of the same

companies; however, the Adviser may not write a covered call in relation to each stock position in a portfolio, or the Adviser may offer the stock portfolio without the call overlay strategy.

The Enhanced Dividend Growth Strategy targets six percent (6%) cash flows on an annualized basis from a combination of current dividend yields and covered call premiums. The strategy's incorporation of writing covered calls may limit the potential capital appreciation from stock positions within a portfolio managed pursuant to this strategy in exchange for more stable cash flow. A stock's price may rise above the relevant call action, making the option "in the money." Occasionally, these "in the money" positions may present an opportunity to be closed out before expiration. The Adviser will review and may act on these opportunities if it believes they may aid the client's portfolio.

#### *Customized Municipal Strategy*

The Customized Municipal Strategy seeks capital preservation and high current tax-free income through a portfolio of 100% tax-free municipal bonds. Although the portfolio managed pursuant to the strategy will consist of an actively managed ladder of municipal bonds between two (2) and twenty

(20) years to maturity, the average maturity of the bond portfolio will typically be intermediate. The average duration will vary as the Adviser seeks investments in maturity ranges it views as strategically optimal. The holdings of a portfolio managed pursuant to this strategy will generally consist of bonds issued by municipalities and issuers the Adviser believes have strong tax revenues, well-managed balance sheets, and investments in attractive infrastructure and economic development projects. The Adviser may use both general obligation bonds and revenue bonds as part of the strategy but will seek to avoid any alternative minimum tax exposure. The Adviser will seek to invest only in bonds which are deemed "investment grade" with a targeted average credit quality of A+ as determined by Standard & Poor's ("S&P") or an equivalent credit rating issued by another Nationally Recognized Statistical Rating Organization. In each case, however, the Adviser will customize the applicable portfolio to suit the needs of the client, including, but not limited to, regional, state-specific, and duration target customization.

#### *Sector Focus Strategy*

The Sector Focus Strategy seeks to generate capital appreciation through the selection of S&P's equity sectors that the Adviser believes may earn returns consistent with or better than the broad equity market. Performance is benchmarked against the S&P 500 Index, and sectors are analyzed based on their potential for future growth, current valuations, relative historical performance and long-term competitive positioning. The Adviser selects sectors as defined by S&P, Dow Jones and MSCI, Inc., and these sectors are then indexed relative to their current index weightings to create the portfolio. Generally, sector ETF mutual funds whose holdings reflect the constituents of the defined S&P sectors are used to represent the selected sectors in the portfolio. An additional sector consisting of dividend focus equity mutual funds and/or ETFs may be included when deemed appropriate by the Adviser.

#### *Other Strategies*

The Adviser's strategic approach is to invest each portfolio in accordance with the Investment Plan that has been developed specifically for each client. Accordingly, in addition to those strategies detailed above, the Adviser may use the any of the following strategies, depending upon the client's individual circumstances:

Long-Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short-Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Options Trading/Writing – a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

#### Risk of Loss

While the Adviser seeks to diversify clients' investment portfolios across various asset classes in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While the Adviser manages client investment portfolios or recommends one or more Managers based on the Adviser's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that the Adviser or a Manager allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that the Adviser's or a Manager's specific investment choices could underperform their relevant indexes.

*Economic Conditions.* Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws may adversely affect the business prospects or perceived prospects of companies. While the Adviser or a Manager performs due diligence on the companies in those securities it invests, economic conditions are not within the control of the Adviser or the Manager and no assurances can be given that the Adviser or the Manager will anticipate adverse developments.

*Risks of Investments in Mutual Funds, ETFs and Other Investment Pools.* As described above, the Adviser and any Managers may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended.

*Risks Related to Alternative Investment Vehicles.* From time to time and as appropriate, the Adviser and any Managers may invest a portion of a client's portfolio in alternative vehicles. The value of client portfolios will be based in part on the value of alternative investment vehicles in which they are invested, the success of each of which will depend heavily upon the efforts of their respective managers. When the investment objectives and strategies of a manager are out of favor in the market or a manager makes unsuccessful investment decisions, the alternative investment vehicles managed by the manager may lose money. A client account may lose a substantial percentage of its value if the investment objectives and strategies of many or most of the alternative investment vehicles in which it is invested are out of

favor at the same time, or many or most of the managers make unsuccessful investment decisions at the same time.

*Equity Market Risks.* The Adviser and any Managers will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investment funds have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (*e.g.*, bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* The Adviser and any Managers may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Covered Calls and Puts Risks.* The Adviser or a Manager, on behalf of its clients, may purchase or write (sell) "covered" call and put options on securities, indexes or currencies. The Adviser or a Manager may purchase call options for investment purposes when the Adviser or the Manager anticipates that the price of the underlying security or currency will rise. The Adviser or a Manager may also purchase put options for investment purposes when the Adviser or the Manager anticipates that the price of the underlying security or currency will decline. If the Adviser or the Manager writes a covered call option on behalf of a client account, the client account will either own the security or currency subject to the option or own an option to purchase the same underlying security or currency having an exercise price equal to or less than the exercise price of the "covered" option. When writing a covered call option, the client account, in return for the premium, gives up the opportunity for profit from a price increase in the underlying security or currency above the exercise price, but conversely retains the risk of loss should the price of the security or currency decline. If the Adviser or the Manager writes a covered put option on behalf of a client account, the client account will maintain sufficient liquid assets to purchase the underlying security or currency if the option is exercised, in an amount not less than the exercise price. The risk in such a transaction would be that the market price of the underlying security or currency would decline below the exercise price, less the premiums received. Such a decline could be substantial and result in a significant loss to client accounts.

To the extent the Adviser or a Manager acquires options that it does not exercise, it suffers the loss of the premium paid to the writer in connection with such purchase, and any gain or loss derived from the exercise of an option or other liquidation of an option is reduced or increased, respectively, by the amount of the premium paid. Closing transactions will be affected in order to realize a profit on an outstanding call option, to prevent an underlying security or currency from being called, or to permit the sale of the underlying security or currency. There is, of course, no assurance that the Adviser or a Manager will be able to affect such closing transactions at favorable prices. If the Adviser or a Manager cannot enter into such a transaction on behalf of client accounts, client accounts may be required to hold a security or currency that is depreciating in value that otherwise might have sold.

*Options Transactions.* The Adviser and any Managers may purchase or sell (write) options, which

involves the payment or receipt of a premium payment and the corresponding right or obligation to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that either the option expires worthless and the investor loses its entire investment in the option, or the option is later sold at a substantial loss.

Although an option buyer's risk is generally limited to the cost of its purchase of the option, an investment in an option may be subject to greater fluctuation than an investment in underlying stocks. The risk for a writer of a put option is that the price of underlying stocks may fall below the exercise price. Over-the-counter options also involve counterparty solvency risk.

*Foreign Securities Risks.* The Adviser and any Managers may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the United States. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Lack of Diversification.* Client accounts may not have a diversified portfolio of investments at any given time, and a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.

## **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 a client's evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no disciplinary events to report.

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

Certain employees of the Adviser are also licensed to sell insurance products. As such, these employees are entitled to receive commissions or other remuneration on the sale of insurance and other products. In addition, certain employees of the Adviser are also Registered Representatives of Kingswood, a FINRA and SIPC member and registered broker-dealer. As such, these employees are entitled to receive brokerage commissions. In order to protect client interests, the Adviser's policy is to fully disclose all forms of compensation before any such transaction is executed. The Adviser and its employees will not charge the same client account for both brokerage commissions generated for an employee of the Adviser and advisory fees payable to the Adviser. Clients are not obligated, contractually or otherwise, to use the services of these insurance agents or Registered Representatives. Please see *Item 5 – Fees and Compensation* for more information.

Additionally, certain employees of the Adviser may also be licensed with TCBI Securities, a FINRA and SIPC member and registered broker-dealer that is a wholly owned subsidiary of Texas Capital Bank. As such, the Adviser is also affiliated with TCBI Securities under common ownership of Texas Capital Bank. While affiliated, the Adviser does not conduct any business directly through TCBI Securities and no client information is shared.

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

### Code of Ethics and Personal Trading

The Adviser has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. The Adviser's Code has several goals. First, the Code is designed to assist the Adviser in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, as amended, the Adviser owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires the Adviser associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for the Adviser's associated persons (managers, officers and employees). Under the Code's Professional Standards, the Adviser expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, the Adviser associated persons are not to take inappropriate advantage of their positions in relation to the Adviser clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time the Adviser's associated persons may invest in the same securities recommended to clients. This may create a conflict of interest because associated persons of the Adviser may invest in securities ahead of or to the exclusion of the Adviser clients.

Under its Code, the Adviser has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, including generally disallowing trading by an associated person in any security within one day before any client account trades or considers trading the same security and the creation of a restricted securities list, reporting and review of personal trading activities and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

### Participation or Interest in Client Transactions

As outlined above, the Adviser has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of any identified potential trading conflicts of interest, the Adviser's goal is to place client interests first.

Consistent with the foregoing, the Adviser maintains policies regarding participation in initial public offerings ("IPOs") and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If associated persons trade with client accounts (*e.g.*, in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with the Adviser's written policy.

## **Item 12 - Brokerage Practices**

### Best Execution and Benefits of Brokerage Selection

When given discretion to select the brokerage firm that will execute orders in client accounts, the Adviser seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore,



the Adviser may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third-party research (or any combination) and may be used in servicing any or all the Adviser's clients. Therefore, research services received may not be used for the account for which the particular transaction was affected.

The Adviser will take direction from the client as to which custodian(s) the client uses. The Adviser does have a non-exclusive service program agreement with Raymond James and Fidelity. The Adviser receives certain economic benefits from the Raymond James and Fidelity programs. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts) for equities and certain mutual funds, provides research, pricing information and other market data, facilitates the payment of the Adviser's fees from its clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of the Adviser's accounts, including accounts not held at Raymond James or Fidelity. Raymond James and Fidelity may also make available to the Adviser other services intended to help the Adviser manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Raymond James and Fidelity may make available, arrange and/or pay for these types of services to be rendered to the Adviser by independent third parties. Raymond James and Fidelity may discount or waive fees it would otherwise charge for some of these services and/or pay all or a part of the fees of a third-party providing these services to the Adviser. Finally, participation in the Raymond James and Fidelity programs provides the Adviser with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the Raymond James and Fidelity programs do not necessarily depend upon the proportion of transactions directed to Raymond James and Fidelity. The benefits are received by the Adviser, in part because of commission revenue generated for Raymond James and Fidelity by the Adviser's clients. This means that the investment activity in client accounts is beneficial to the Adviser, because Raymond James and Fidelity do not assess a fee to the Adviser for these services. This creates an incentive for the Adviser to continue to recommend Raymond James and Fidelity to its clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, the Adviser believes that Raymond James and Fidelity provide an excellent combination of these services. The Adviser monitors and compares the brokerage executions it receives from Raymond James and Fidelity with similarly situated competitors.

With respect to client portfolios that are managed by the Advisor using individual municipal securities, the Advisor utilizes a number of brokerage firms to enable execution of these transactions. The Adviser believes the use of a number of brokerage firms allows it to source a wide selection of securities and compare prices on similar securities to ensure best execution. The Adviser's Investment Team monitors municipal bond transaction execution quality.

#### Soft Dollar Transactions

The Adviser does not use soft dollars at this time.

#### Directed Brokerage

The Adviser does not allow directed brokerage accounts.

#### Aggregated Trade Policy

Trading of securities in managed accounts is centralized and controlled by the Adviser's trading team.

The team seeks to block trades for managed accounts whenever possible. Block trading allows the Adviser to execute equity trades in a timely, equitable manner, and can reduce overall costs to clients.

Combining multiple client orders for the same security can be advantageous for client accounts, allowing them to share pro-rata in transaction costs and obtaining the same execution price(s). The Adviser will only aggregate transactions when 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 the Adviser's investment advisory agreement with each client for which trades are being aggregated. 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 the Adviser's transactions in a given security on a given business day, with transaction costs generally shared pro-rata based on each client's participation in the transaction. On occasion, owing to the size of a particular account's pro rata share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

The Adviser, when entering an aggregated trade order, will create a block trade in a portfolio management system that gets reviewed by the Adviser prior to any execution of trades. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the block as created in the portfolio management system. If the order is partially filled, it will generally be allocated pro-rata or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the portfolio management system 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 the Adviser. The Adviser's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. 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 the Adviser will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

#### Cross Trades

The Adviser does not perform cross trades at this time.

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

Managed portfolios are reviewed at least annually but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by the Adviser. These factors may include, but are not limited to, the following: change in general client circumstances (*e.g.*, marriage, divorce, retirement); or economic, political or market conditions. One of the Adviser's investment adviser representatives or principals is responsible for reviewing all accounts.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. The Adviser will provide additional written reports as

needed or requested by the client. Clients should carefully compare the statements that they receive from the Adviser against the statements that they receive from their account custodian(s).

For those clients to whom the Adviser provides separate financial planning services, reviews are conducted on an as-needed or agreed-upon basis. Such reviews are conducted by one of the Adviser's investment adviser representatives or principals.

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

As noted above, the Adviser may receive some benefits from Raymond James and Fidelity based on the amount of client assets held at Raymond James and Fidelity. Please see ***Item 12 - Brokerage Practices*** for more information.

Certain employees of the Adviser are also licensed to sell insurance products. These employees will earn commission-based compensation for selling insurance products, including insurance products sold to clients of the Adviser. In addition, certain employees of the Adviser are also Registered Representatives of Kingswood, a FINRA and SIPC member and registered broker-dealer. As such, these employees are entitled to receive brokerage commissions. Insurance commissions earned by employees of the Adviser are separate from the Adviser's advisory fees. The Adviser and its employees will not charge the same client account for both brokerage commissions generated for an employee of the Adviser and advisory fees payable to the Adviser. Please see ***Item 5 - Fees and Compensation*** for more information.

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

At present, Raymond James & Associates, Inc. is the custodian of a majority of the client accounts at the Adviser. From time to time however, clients have the ability to select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify the Adviser of any questions or concerns. Clients are also asked to promptly notify the Adviser if the custodian fails to provide statements on each account held.

From time to time and in accordance with the Adviser's agreement with clients, the Adviser will provide additional reports. As mentioned above, the account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, pending trades or other similar issues.

The Adviser may be deemed to have "soft" custody of its client accounts because the Adviser's portfolio management fees are normally debited directly from client account(s), unless other arrangements are made. For clients who have a Standing Letter of Authorization ("SLOA") attached to an account for the occasional movement of funds, the Adviser has a set of procedures to assist its compliance with the SEC No Action Letter (See Investment Advisers Association, SEC No-Action Letter (Feb. 21, 2017) regarding SLOAs.

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

As described in ***Item 4 - Advisory Business***, the Adviser will accept clients on a discretionary basis and non-discretionary accounts are available for client assets as an accommodation. For *discretionary accounts*, a Limited Power of Attorney ("LPOA") is executed by the client, giving the Adviser the

authority to carry out various activities in the account, generally including the following: (i) trade execution; (ii) the ability to request checks on behalf of the client; and (iii) the withdrawal of advisory fees directly from the account. The Adviser then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with the Adviser and the requirements of the client's custodian.

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

As a policy and in accordance with the Adviser's advisory agreement, the Adviser will generally vote proxies related to securities held in client accounts. The Adviser seeks to vote proxies in the best interest of the client(s) holding the applicable securities. In voting proxies, the Adviser considers factors that the Adviser believes relate to the client's investment(s) and factors, if any, that are set forth in written instructions from the client.

In general, the Adviser believes that voting proxies in accordance with the following guidelines, with respect to such routine items, is in the best interests of clients. Accordingly, the Adviser generally votes for:

- The election of directors (where no corporate governance issues are implicated);
- Proposals that strengthen the shared interests of shareholders and management;
- The selection of independent auditors based on management or director recommendation, unless a conflict of interest is perceived;
- Proposals that the Adviser believes may lead to an increase in shareholder value;
- Management recommendations adding or amending indemnification provisions in charter or by-laws; and
- Proposals that maintain or increase the rights of shareholders.

The Adviser will generally vote against any proposals that the Adviser believes will have a negative impact on shareholder value or rights. If the Adviser perceives a conflict of interest, the Adviser's policy is to notify affected clients so that they may choose the course of action they deem most appropriate.

A copy of the Adviser's complete Proxy Voting Policy, as well as records of proxies voted, is available to clients upon request. As required under the Advisers Act, such records are maintained for a period of five (5) years.

The Adviser generally does not act on behalf of clients in the event of a class action lawsuit or similar legal proceeding involving a security held in client accounts.

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

The Adviser does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item.