

## Introduction

Sanders Morris Harris, LLC (referred to as “SMH” or “we” or “us”) is registered with the U.S. Securities and Exchange Commission (“SEC”) as a broker-dealer (member FINRA/SIPC) and an Investment Adviser. Our Financial Professionals offer brokerage and investment advisory services. Furthermore, SMH is affiliated with, and under common control with, HWG Insurance Agency, LLC, a licensed insurance agency, and Tectonic Advisors, LLC, an SEC registered investment adviser and T Bank N.A., a national bank. Brokerage and investment advisory services and fees differ and it’s important that you understand the differences. Free and simple tools are available to research firms and Financial Professionals at <https://www.investor.gov/CRS>, which also provides educational materials about broker-dealers and investment advisors.

## What investment services and advice can you provide me?

Our Financial Professionals offer brokerage services, investment advisory services, or both, depending on their licenses. Each Financial Professional generally provides access to a range of investment products, such as stocks, bonds, options, mutual funds, exchange-traded funds (ETFs), exchange-traded notes (ETNs), life insurance, annuities, private placements, alternative investments and initial public offerings (IPOs). Please note that the range of investment choices available to you may be limited depending on the licenses your Financial Professional holds. Furthermore, you may be limited in the choices available due to account size, account minimums, suitability and other qualifications. We encourage you to ask your Financial Professional whether any investment limitations or account restrictions apply. Ask your Financial Professional if the advice they are providing or the recommendations they offer are part of a brokerage service or advisory service. Some of the key differences between brokerage and investment advisory services are described below.

### Brokerage Services

- We are an introducing broker-dealer, meaning we have a contract with a clearing firm that handles the execution and settlement of trade orders it receives from us and our clients. The clearing firm also holds your securities for safekeeping (known as having “custody” of your securities).
- In most cases, we provide recommendations to you on specific investments, but you make the final investment decisions for your account. In other cases, you may grant your Financial Professional written discretionary authority over your brokerage account,
- We don’t monitor brokerage account investments for you, unless we state otherwise in writing.

**For more detailed information** about our brokerage services you can visit our [website](#) or ask for a free copy of our Regulation Best Interest Disclosure Brochure. **For more detailed information** about our advisory services, you may view a copy of our [Form ADV](#) and refer to Items 4 & 7 of ADV Part 2, and Item 4.A. & 5 of Appendix 1 (wrap fee programs).

### Investment Advisory Services

- The investment advisory services we offer include wrap free programs and non-wrap fee programs; asset allocation programs, advisory programs offered by third-party investment advisory firms; financial planning services, retirement program investment management, pension consulting, and other custom advisory services.
- For wrap, non-wrap and asset allocation programs, you’ll typically grant us discretion to buy and sell investments in your account without contacting you in advance. You may limit our discretion by imposing reasonable restrictions on investing in certain securities or groups of securities. With respect to third-party investment advisory accounts, you grant investment discretion to another financial institution.
- Some of our investment advisory accounts can be non-discretionary, which means you are required to pre-approve each investment transaction we recommend.
- We’ll typically monitor accounts and specific investments within accounts, on an ongoing basis to align with your investment goals.

### QUESTIONS TO ASK YOUR FINANCIAL PROFESSIONAL:

- Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

## What fees will I pay?

### Brokerage Services Fees

- **Commission:** we charge a *transaction-based fee* every time you buy or sell an investment. The amount you pay as a transaction-based fee varies according to the particular investment and amount invested. We collect these fees each time a transaction takes place, which creates an incentive for us to encourage you to trade often.
- For investments in stocks, options, ETFs, or ETNs the transaction-based fee is usually charged as a separate commission or sales charge. For investments in bonds, this fee is typically included as part of the price you pay for the investment (called “markup or markdown”).
- **Sales Loads:** For investments in certain products like mutual funds, annuities and alternative investments, we receive transaction-based fees from the investment product sponsor in the form of asset-based sales charges. These fees are based on the amount invested in a certain product and in some cases may also be dependent on how long you hold the investment position. These sales loads create an incentive to recommend certain products or product sponsors based on the fees we collect.

### Investment Advisory Fees

- For investment advisory services, we typically charge an ongoing quarterly, *asset-based fee* of a percentage of the value of your assets in the account we manage. The more assets you have in this type of account, the more you’ll pay in fees, which creates an incentive to encourage you to increase the size of your account.
- **Wrap Program Fee:** A wrap fee is a consolidated fee structure for a more comprehensive management of your investments. Under a wrap program, you pay us a single asset-based fee for advisory services and the fee covers most transaction costs, custodial costs and certain administrative costs. If you anticipate trading infrequently or to “buy and hold”, a wrap program may cost you more than paying for the program’s services separately, thus you may want to consider a brokerage relationship, rather than an advisory relationship.

- **Financial Planning:** you will pay a total fee based upon the disclosed hourly rate or flat fee as agreed upon by you and your Financial Professional.
- **Performance-based Fees:** in some cases, you will pay a fee based on a share of capital gains or capital appreciation of the assets in your account(s), per your written agreement.

### Other Fees and Costs

If applicable to your account, we’ll charge you directly for other fees in addition to brokerage commissions and advisory fees, including: (1) account maintenance fees such as custody, trade confirmation processing, corporate actions and transfer fees; (2) cash management fees, such as cash sweep, checking and wire fees; (3) investment specific fees such as those for administration of alternatives investments or for foreign securities; (4) margin interest. You will pay fees and incur costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. **For additional information**, please see our [ADV Part 2A, Item 5, including Appendix 1](#). You may also request a copy of our Regulation Best Interest Disclosure Brochure.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

#### **QUESTIONS TO ASK YOUR FINANCIAL PROFESSIONAL:**

- Can you help me understand how these fees and costs, might affect my investments, If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

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## What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have a legal obligation to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us

about these conflicts because they can affect the recommendations and investment advice we provide you. Here are some examples to help you understand what this means:

**Third-Party Payments:** We receive compensation from third parties related to investments you make in certain products, including mutual funds, ETFs, annuities, private placements and alternatives investments. This compensation includes ongoing distribution charges, such as 12b-1 fees or commission trails.

**IRA Rollover Considerations:** When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.

**Margin Interest:**

SMH is credited a percentage of the interest charged on margin balances accounts by Pershing. This credit creates a conflict of interest since SMH receives additional compensation on accounts custodied at Pershing. For managed accounts that utilize margin, the asset-based fee does not include margin interest. The use of margin could increase the fees in your account, as the market value of your portfolio increases. This creates incentive for SMH to encourage you to utilize margin since we will receive increased fees and margin revenue.

**Revenue Sharing:** Mutual funds with 12b-1 fees are generally more expensive than those funds without such fees. There is a conflict of interest when we recommend these products or services since they result in increased compensation to SMH. For our Investment Advisory clients, SMH credits back to your account an amount equal to the 12b-1 fees collected in connection with your advisory assets, except for 12b-1 fees generated through the default sweep money market available on the Pershing platform, which Pershing remits to SMH and SMH retains. This revenue sharing creates a conflict of interest as the increased revenue generated from the default money market funds is paid to SMH. Because SMH receives and retains these amounts, SMH has an incentive to recommend accounts offering sweep money market funds paying 12b-1 fees, which in turn will negatively impact the amount you earn on cash in your account.

**Principal Trading:** We can buy investments from you and sell investments to you, from our own proprietary trading accounts, which means we “act as a principal”. We can earn a profit on these trades, so we have an incentive to encourage you to trade with us.

**Tectonic Advisors, LLC:** Tectonic Advisors, LLC (referred to as “TA”) is under common ownership with SMH. Certain officers and directors of TA also serve as officers and directors of SMH which create an incentive for us to refer business between the two entities.

**HWG Insurance Agency, LLC:** HWG Insurance Agency, LLC (referred to as “HWG”) which is a state-registered insurance agency, is under common ownership with SMH. Licensed insurance agents of HWG may also be Financial Professionals with SMH. If you elect to purchase an insurance product through an SMH Financial Professional, which may include life, accident, disability insurance and annuities, you Financial Professional will receive a commission from that purchase, therefore creating an incentive to encourage you to buy insurance products.

**T Bank NA:** T Bank NA. is under common ownership with SMH. Certain officers and directors of T Bank also serve as officers and directors of SMH which create an incentive for us to refer business between the two entities.

**Referrals:** SMH has a solicitor’s agreement with Old City Securities, LLC (“OCS”) as where SMH compensates OCS for its efforts to market and promote SMH and our services. This arrangement creates an incentive for OCS to refer customers to us. OCS and SMH are independent of one another and are not affiliated.

**ASK YOUR FINANCIAL PROFESSIONAL:**

- How might your conflicts of interest affect me and how will you address them?

For additional information, please see our [ADV Part 2A, Item 5, 10 and 14, including Appendix 1](#). You may also request a copy of our Regulation Best Interest Disclosure Brochure or visit our [website](#).

## How do your Financial Professionals make their money?

All of our Financial Professionals are employees or employees of an affiliated company. The employment agreement between each Financial Professional and SMH, sets out the payments we make to them. Those who provide investment advisory services receive a portion of the advisory fee you pay. Financial Professionals who provide you brokerage services receive a portion of the commissions or markups/markdowns from your trades. Receiving a portion of the advisory or brokerage fees you pay to us creates an incentive for them to encourage you to increase your investment account size or trade more frequently. Our Financial Professionals also receive different levels of compensation for selling different types of investments or services. This could include, for example, a share of the 12b-1 fees<sup>1</sup>, trail commission<sup>2</sup>, or sales loads<sup>3</sup> paid to us by an investment product sponsor. Although your Financial Professional is required to recommend investment products or manage your account in your best interest, these different forms of compensation create an incentive for them to recommend specific financial products.

## Do you or your Financial Professionals have legal or disciplinary history?

Yes. Visit [www.investor.gov/CRS](http://www.investor.gov/CRS) for a free and simple search tool to research us and our Financial Professionals.

### QUESTIONS TO ASK YOUR FINANCIAL PROFESSIONAL:

- As a Financial Professional, do you have any disciplinary history? For what type of conduct?

## Additional Information.

For additional information about our products and services, [visit Investor.gov](#), [BrokerCheck](#) (BrokerCheck.Finra.org), or our [website](#). You may also refer to your account agreement(s) or other disclosure paperwork you received from your Financial Professional.

For additional information on advisory services, see our Form ADV brochure on the [SEC's Investment Adviser Public Disclosure site](#), on [Investor.gov](#), or on our [website](#) and any brochure supplement your Financial Professional provides. For additional information on our brokerage services, you may contact us at 713-224-3100 to request a free copy of our up-to-date Regulation Best Interest Disclosure Brochure.

If you have a problem with your investments, account or Financial Professional, contact us at:

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600 Travis Street, Suite 5900  
Houston, Texas 77002  
[www.smhgroup.com](http://www.smhgroup.com)  
713.224-3100

### QUESTIONS TO ASK YOUR FINANCIAL PROFESSIONAL:

- Who is my primary contact person?
- Is he/she a representative of an investment adviser or a broker-dealer or both?
- Who can I talk to if I have concerns about how this person is treating me?

<sup>1</sup> A **12b-1 fee** is an annual marketing or distribution **fee** on a mutual fund. The **12b-1 fee** is considered to be an operational expense and, as such, is included in a fund's expense ratio.

<sup>2</sup> A **trailing commission** is a fee that you **pay** a Financial Professional each year that you own an investment. The purpose of a **trailing commission** is to give an advisor an incentive to review a client's holdings and provide advice.

<sup>3</sup> A **load** is a **sales** charge paid by mutual fund investors to the brokers or agents who sell the fund to them.