

Texas Institutional Investment Management, LLC

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This Brochure provides information about the qualifications and business practices of Texas Institutional Investment Management, LLC. If you have any questions about the contents of this Brochure, please contact us at 210-490-2200 or toll free at 877-676-2200 or by e-mail at spa@texiim.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Texas Institutional Investment Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Texas Institutional also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules.

On February 27, 2018, we filed our annual updating amendment filing for fiscal year 2017. Since our previous filing, dated March 21, 2017, there have been no material changes requiring a disclosure.

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

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

Currently, our Brochure may be requested by contacting Stephen P. Arnold, Co-Portfolio Manager at 210-490-2200 (toll free 877-676-2200) or spa@texiim.com. Our Brochure is also available on our web site www.texiim.com, also free of charge.

Additional information about Texas Institutional Investment Management, LLC is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Texas Institutional who are registered, or are required to be registered, as investment adviser representatives of Texas Institutional.

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Item 4 – Advisory Business

Texas Institutional Investment Management, LLC provides discretionary investment supervisory services. Individual client portfolios are managed according to the objectives and limitations established in the advisory agreement.

Texas Institutional opened for business on April 9, 2004.

The types and amounts of securities to be bought or sold are determined by Texas Institutional on a discretionary basis. Texas Institutional maybe restricted, by written instructions from the client, from purchasing or selling certain specifically identified securities or securities belonging to a specific group or category.

As of December 31, 2017, Texas Institutional had approximately \$39,571,014 in discretionary assets under management and \$370,644 in nondiscretionary assets under management.

Texas Institutional requires portfolio managers to have degree from an accredited, four-year college or university and at least ten (10) years of investment related experience for individuals involved in determining or giving investment advice to clients. Advanced degrees, such as a Masters in Business Administration (MBA), and professional certifications, such as the Chartered Financial Analyst (CFA), are preferred.

Item 5 – Fees and Compensation

Texas Institutional Investment Management Fee Schedule:

<u>Market Value of Account (Assets Under Management)</u>	<u>Fee as a % of Market Value</u>
First \$25 million*	1.00%
Next \$25 to \$50 million	0.90%
Next \$50 to \$100 million	0.80%
All amounts over \$100 million	0.75%
*Minimum annual fee:	\$2,000.00

All advisor fees are negotiable upon request.

Texas Institutional Investment Management requires a minimum asset value of \$100,000 for opening an account. Depending on the circumstances of the account, minimums may be reduced.

The specific manner in which fees are charged by Texas Institutional is established in a client's written agreement with Texas Institutional. Texas Institutional will generally bill its fees on a quarterly basis in arrears each calendar quarter. Clients may also elect to be billed directly for fees or to direct the custodian to authorize to directly debit fees from their accounts.

Management fees shall not be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Texas Institutional 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, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, 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 the Texas Institutional fee, and Texas Institutional shall not receive any portion of these commissions, fees, and costs.

Registered third party financial advisors and consultants who refer clients to Texas Institutional, and manage the individual client relationship, may receive a percentage of the management fee with written consent from the client.

Related persons may buy or sell for themselves securities that are also researched and potentially purchased, sold, or held for Texas Institutional client accounts. These transactions must be subordinate, immaterial, and not be adverse to any client portfolio. Furthermore, all related party transactions must be disclosed and approved by the Texas Institutional portfolio management team prior to the transaction.

Texas Institutional selects the brokers or dealers to handle securities transactions and negotiate the commissions. Texas Institutional chooses broker/dealers based on an analysis of low cost and best execution. Unless directed by the client, Texas Institutional uses Mid Atlantic Capital Corp as its primary broker/dealers. Texas Institutional continually evaluates broker/dealers for low cost and best executions. Texas Institutional does not receive research or any other products or services other than execution of trades from broker/dealers in connection with client security transactions.

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

Texas Institutional 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

Texas Institutional portfolio management services are made available to high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

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

Texas Institutional portfolios invest in growth equities. The overall investment policy is to commit funds to industry-leading companies with superior price appreciation history and potential. A strong price history is viewed not with alarm but rather as a possible indicator of superior operations, which, in turn, may be precursors to continued success in the future. A strict adherence to this policy is expected to generate consistently superior investment performance.

Essentially all stock holdings are selected from the Russell 3000 Growth Universe. This universe is composed of the 3000 largest market capitalization firms that are incorporated in the United States and traded on the NYSE, the NASDAQ, or NYSE Amex stock exchanges. Within this universe, Texas Institutional focuses exclusively on equities with market capitalizations greater than \$350 million.

Texas Institutional uses a three-step process to identify stock investment opportunities:

STEP ONE is a screen, the Model of Alpha (MOA) which relies primarily on technical data, but also on fundamental information, to narrow down the universe of stocks to a manageable number. MOA is designed to isolate companies that lead their industries in sales and earnings growth over both the shorter and longer terms and that have seen their stocks reach all-time highs and double relative to their 52-week lows. It is believed that such success is the result of operational superiority and is a leading indicator of future outperformance.

STEP TWO puts these stocks through a quantitative sorting process (The Competitive Quantitative Scoring System) that subjects them to a wide variety of financial and valuation

tests based on historical data to rank them in terms of relative attractiveness. Only those stocks that achieve a sufficiently high score are considered for further attention.

STEP THREE examines the high scoring stocks from step two to fundamental analysis, with a primary emphasis on the following variables: 1) earnings quality, 2) free cash flow, 3) balance sheet strength, and 4) financial ratio trend analysis. Good financial ratios in themselves are not a good leading indicator of future stock performance. It is most important to know whether the ratios are improving, static, or decaying.

It is felt that if a stock passes all three hurdles—technical, quantitative, and fundamental—its chances of future outperformance are better than those that pass only one or two of these tests. Additionally, in order for a stock to qualify for purchase, the portfolio management team must reach a consensus to buy.

The result is a list of 30 - 40 industry leading companies with superior price appreciation history and potential for small cap and mid-large cap growth portfolios and 60 -80 companies for All Cap growth portfolios.

Texas Institutional does not incorporate market timing or asset allocation practices into its investment management services. Thus, except for short-term cash needs, it aims to keep its funds under management fully invested at all times.

Decisions are made in discussions between the portfolio managers. A total consensus is required for a decision.

After a security is purchased, it is subjected to daily scrutiny to determine whether it is still a worthy investment. We maintain a Daily Price Monitor to track all price movements in our positions. In addition, we receive downloaded articles on our holdings from several sources to help keep us abreast of current company developments. Meetings are called when either co-portfolio manager feels it is necessary to take action on any issue.

Investing in securities involves risk of loss that clients should be prepared to bear.

The value of portfolios will decline generally in correlation with any decline in the index against which its performance is benchmarked. Portfolio values are subject to market fluctuations caused by such factors as economic, political, regulatory or market developments, changes in interest rates and perceived trends in stock prices. Overall portfolio values could decline generally or could underperform their benchmark indices or other investments.

Investing in securities of small and medium capitalization companies involves greater risk than is customarily associated with investing in larger, more established companies. These securities may be more volatile and less liquid than those of more established companies. These securities may have returns that vary, sometimes significantly, from the overall securities market. Often small and medium capitalization companies and the industries they are focused in are still evolving and may make them more sensitive to changing market conditions.

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 Texas Institutional or the integrity of Texas Institutional management. Texas Institutional has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Registered investment advisers are required to disclose all material facts regarding any other Financial Industry activities and affiliations that would be material to your evaluation of Texas Institutional. Activities include, but are not limited to, being registered as a securities broker-dealer, being registered as a futures commission merchant, commodity pool operator, or commodity trading advisor. Other activities and affiliations that could be material to your evaluation of Texas Institutional would be relationships with related persons to the activities listed above as well as those in banking or with thrift institutions, accounting firms, law firms insurance companies or agencies, a pension consultant, a real estate broker or agent or any entity that creates or packages limited partnerships that may be offered to a client for investment purposes.

Texas Institutional has no affiliations with other organizations, groups, or individuals.

Item 11 – Code of Ethics

Texas Institutional 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 Texas Institutional must acknowledge the terms of the Code of Ethics annually, or as amended.

Texas Institutional anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Texas Institutional has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Texas Institutional, its affiliates and/or clients, directly or indirectly, have a position of interest. Texas Institutional employees and persons associated with Texas Institutional are required to follow the Texas Institutional Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of Texas Institutional and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Texas Institutional clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Texas Institutional 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 not materially interfere with the best interest of Texas Institutional 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 in securities purchased or held by clients. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Texas Institutional and its clients.

Certain affiliated accounts may trade in the same securities as those in client accounts on an aggregated basis when consistent with Texas Institutional obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Texas Institutional will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Texas Institutional clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Stephen P. Arnold by phone (210-490-2200 or toll free 877-676-2200) or by e-mail (spa@texiim.com).

It is Texas Institutional policy that the firm will not engage in any principal or agency cross securities transactions for client accounts. Texas Institutional 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.

Item 12 – Brokerage Practices

Texas Institutional selects the brokers or dealers who handle its securities transactions and with whom it negotiates commissions. Texas Institutional chooses broker/dealers based on an analysis of low cost and best execution. Unless directed by client, Texas Institutional uses Mid Atlantic Capital Corp as its primary broker/dealer. Texas Institutional continually evaluates broker/dealers for low cost and best executions. Texas Institutional does not utilize soft dollar arrangement to pay for research or any other products or other services as is typically practiced in the industry. Texas Institutional prefers to pay the lowest price available when executing client transactions.

For accounts held at Ladenburg Thalmann & Co. Inc. (or any of its affiliates), trading is performed on the platform they specify for the account.

Item 13 – Review of Accounts

Each portfolio manager at Texas Institutional shares equally in the responsibilities of reviewing and monitoring all client accounts. All holdings are monitored daily. All individual portfolios are reviewed weekly. Subsequent reviews are triggered by client correspondence, earnings reports, news events, and stock price movements.

Texas Institutional portfolio managers are responsible for verifying each account's holdings for accuracy. Texas Institutional portfolio managers are instructed to monitor asset market values, price changes, income, purchases, sales, and cash balances. Daily monitoring and weekly reviews are part of the standardized portfolio management process.

Texas Institutional will provide a quarterly investment report to clients detailing all current investment positions, the current market value of each position, the current market value of

the account (including cash), and all investment and income activity during the period. More frequent reports will be provided at the client's verbal or written request or as required by contract.

Item 14 – Client Referrals and Other Compensation

Registered third party financial advisers and consultants who refer clients to Texas Institutional, and manage the individual client relationship, may receive a percentage of the management fee upon written consent from the client.

Item 15 – Custody

Texas Institutional does not custody client assets but rather encourages clients to use or select qualified custodians that can satisfy their particular needs.

Clients should receive at least quarterly statements from the broker dealer, bank, or other qualified custodian that holds and maintains client's investment assets. Texas Institutional urges clients to carefully review such statements and compare such official custodial records to the account statements that it may provide to them. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Texas Institutional usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives of the particular client account.

When selecting securities and allocating asset positions, Texas Institutional observes the investment policies, limitations, and restrictions of the clients that it advises. For registered investment companies, Texas Institutional authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Texas Institutional in writing.

Item 17 – Voting Client Securities

Unless specified in the management contract, Texas Institutional does not vote proxies on behalf of clients. All proxy materials received on behalf of a client account are to be sent directly to the client or a designated representative of the client who is responsible for voting the proxy. Texas Institutional personnel may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy. However, the final decision of how to vote the proxy rests with the client unless Texas Institutional has specific proxy voting responsibilities.

Where Texas Institutional does have responsibility for voting proxies, the policy is designed to ensure proxies are voted in the clients' best economic interest. The portfolio managers are responsible for voting client proxies.

A client may direct Texas Institutional to vote a particular proxy solicitation in a specific manner at any time by written communication in a timely manner.

Clients may obtain a copy of Texas Institutional proxy voting policies and procedures upon request. Clients may also obtain information from Texas Institutional about how Texas Institutional voted any proxies on behalf of their account(s).

Item 18 – Financial Information

Registered investment advisers are required to provide clients with certain financial information or disclosures about Texas Institutional financial condition. Texas Institutional 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.

Item 19 – Requirements for State-Registered Advisors

Texas Institutional is a Texas registered investment management company located in San Antonio. The two principals of the firm, Eric M. Efron and Stephen P. Arnold, serve as co-portfolio managers and are responsible for the investment process and management of client portfolios.

Mr. Eric M. Efron has over 39 years of investment experience having worked at Value Line (Arnold Bernhard & Co), Merrill Lynch, A.G. Becker, and C&S Sovran Investment Management

Company. Prior to starting Texas Institutional Investment Management, Eric managed the highly rated USAA Aggressive Growth Fund.

Eric is a Chartered Financial Analyst (CFA) and has been featured in the Wall Street Journal, Business Week, and CNBC.

Eric received his BA degree from Oberlin College and has a Masters in Asian Studies from the University of Michigan and a MBA from New York University.

Mr. Stephen P. Arnold has over 33 years of investment experience having worked in both public and private environments. Mr. Arnold worked for 12 years for the Employees Retirement System of Texas with direct responsibility for managing up to \$13 billion in assets for the retirement system and the supplemental Law Enforcement and Custodian Officer Fund.

Stephen has worked for Norwest Investment Management & Trust as a Vice President and Trust Investment Officer. He was responsible for the establishment and implementation of standardized policies and portfolio models to reduce investment volatility and risk for trust clients and employee retirement plans.

Prior to joining Texas Institutional he was an investment banker with a San Antonio, Texas based investment banking firm.

Stephen holds a BS in Agricultural Economics from Texas A&M University and is a graduate of the Trust Investment School at the University of North Carolina at Charlotte.