

PROTECTION OF CLIENT INVESTMENT ASSETS AT WOODWAY FINANCIAL ADVISORS



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With the shocking fraud uncovered at Bernie Madoff's firm and at Stanford Financial Group, investors already stunned by the dramatic downturn in the equity markets must now be concerned about the safety of their investments. I was recently asked by the Houston Business Journal to address the question of what steps an investor should take to insure that investment assets are safe from theft or fraud. To help reassure our clients of the safety of their assets, here are the questions I posed to HBJ with my responses specific for assets managed by Woodway Financial Advisors.

- Who are the owners and senior management executives at the firm? What is their background and experience?

All of the client relationship managers and senior officers at Woodway have a minimum of 15 years experience in the industry and have advanced degrees or designations covering all aspects of personal finance, law, investments, audit and accounting. Our senior officers are all native Houstonians.

- Are the recommended investments clear and understandable? Do the investment returns have a correlation with broader market returns or with the benchmarks for that particular asset class?

Woodway does not offer proprietary funds or products or use outside money managers. Every portfolio is tailored for the client using individual stocks, bonds and high quality no load mutual funds. We do not invest in hedge funds, derivatives or alternative investments. The investment performance of our client accounts is measured against commonly used benchmarks, such as the S&P 500 Index for stocks, in keeping with strict industry standards.

- What is the regulatory oversight and what audit procedures are in place at

the company? Does the firm engage reputable accounting firms to conduct audit examinations of both the corporate books and the client investment accounts?

Unlike the confidence shattering failure of the SEC's oversight of the Madoff and Stanford firms, Woodway is chartered, regulated and examined annually by the Texas Department of Banking. Client investment accounts are audited annually by Mohle Adams, a Houston based accounting firm with more than 50 CPAs and more than 50 years in practice. Our corporate books are audited annually by Baird, Kurtz & Dobson, a large regional firm with vast experience in trust and financial company audits and compliance. We also have an ongoing internal audit program to assure the protection of client funds and confidentiality.

- What is the custodial arrangement of the investment assets and what insurance coverage and other protections are in place?

Woodway maintains a custodial relationship with U.S. Bank, a \$182 billion financial institution, who has a direct depository account with the Depository Trust Company in New York. DTC is regarded as the most comprehensive system to monitor the movement and custody of securities. Between U.S. Bank and DTC, the following insurance coverage is provided per incident.

CUSTODIAN

- Bankers Blanket Bond
\$100,000,000
- All Risk Loss of Securities
\$100,000,000
- Errors & Omission Insurance
\$20,000,000

SECURITY DELIVERY

- All Risk/Blanket Bond
\$250,000,000
- Transit Coverage
\$700,000,000
- Mail Policy
\$1,000,000
- Registered Mail/Courier
\$25,000,000

In addition, Woodway carries a Financial Institutional Bond in the amount of \$4,000,000 that covers the risk of loss due to employee malfeasance, loss on premises, loss in transit and loss through good faith purchase of stolen securities. A separate Errors & Omissions Insurance Policy covers loss as a result of negligence and/or breach of fiduciary responsibility.

Unlike many money management firms, Woodway, as a Texas chartered trust company, is required to maintain a certain minimum amount of unencumbered capital in our corporation. We currently have close to \$3 million in capital, more than twice the required amount, reflecting our strong financial condition.

We regard the safety of our client's investment assets as our number one priority at Woodway Financial Advisors. Thank you for your continued confidence and support.