

Form ADV : Part 2 A & B

As of February 3, 2012

Part 2A: The Brochure: This brochure discloses information about the qualifications and business practices of the investment advisory firm named below for the benefit of its clients and prospective clients. Please note that the terms "registered investment adviser" or "registered" do not imply a certain level of skill or training. If the adviser uses a wrap fee program, it is found in Appendix 1. If you have any questions about the contents of this brochure, please contact us at the contacts given below.

Part 2B: The Brochure "Supplement" discloses information about persons providing advice.

2A: Brochure : Item 1 : Cover Page : for

G.W. Sherwold Associates, Inc.

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Lake Forest, California 92630

[crd # 42186 / SEC # 801-46883]

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or

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*Please note that this brochure has not been approved by the Securities & Exchange Commission or by any state securities authority. This firm is registered with the SEC and notice filed in one or more states; **registration does not mean approval or verification by those regulators.** More information about the firm is at Investment Adviser Public Disclosure : www.adviserinfo.sec.gov.*

If an item does not apply to the firm, it must state that it does not apply. All information must be true and may not omit any material facts.

2A: Brochure : Item 2: Material Changes : *If we amend this disclosure brochure, we are to send you either a new copy of the brochure or at least this item 2 describing the changes made so you can decide if you want us to send you a complete, new copy. A summary of material changes is :*

☐ attached as an exhibit to or

☐ included here as part of this updated brochure

or : No summary of material changes is required because there have been no material changes to this adviser's brochure since its last annual updating amendment.

The changes made are:

In Item 4 we updated the assets under management.

In Item

Item 2 requires that an adviser amending its brochure identify and discuss the material changes since the last annual update on the cover page or the following page or as a separate document accompanying the brochure. This item is designed to make clients aware of information that has changed since the prior year's brochure and that may be important to them. Whenever there is a material change to the form ADV , the firm must either send this item 2 with an offer to send the whole ADV, or else send the whole ADV Part 2AB.

2A: Brochure : Item 3 : Table of Contents : Information that investment advisers must provide to prospective clients initially and to existing clients annually : 18 disclosure items that describe this firm’s advisory business. and (if applicable) Appendix 1 with disclosures required for a “wrap fee” program brochure [*a specialized brochure*].

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Item 4. : This advisory firm's business

4. A. G.W. Sherwold Associates, Inc. (or "the firm" or "the adviser") is a California corporation [IRS EIN # 33-0619325], that registered 6.30.1994 to do business as an investment advisory firm. Note : The use of the phrase "registered investment adviser" or the term "registered" do not imply a certain level of skill or training.

Our firm's sole owner is Mr. Gary Sherwold, the firm's President(4.1994), Chief Compliance Officer and advisor representative. The firm requires its representatives to have a Series 7 license and a minimum of ten years experience in the securities industry to give investment advice to its clients.

4.B. G.W. Sherwold Associates, Inc. is engaged in the business of providing :

- Financial Planning
- Estate Planning and Wealth Preservation Services
- Retirement Planning
- Portfolio Analysis and Asset Allocation Strategies
- Portfolio Management for individuals, businesses and institutional clients

The investment advisor furnishes advice to clients involving the utilization of insurance products, such as annuities, on more than an occasional basis.

The adviser provides guidance on equipment leasing partnerships and on Real Estate Investment Trusts (REITs).

4.C. Do we tailor our advisory services to a client's individual needs and how do we do so?

Can clients impose restrictions on investing in certain securities or types of securities?

By their nature, financial planning services must be based on each client's individual needs to have any useful validity. With regard to both financial planning services and portfolio management, an investment adviser is a fiduciary and is to make only those recommendations that demonstrably are in the client's own best interests. The firm seeks to establish this personal dimension through a careful, fact-finding interview and discussions with each client, noting each client's stated and/ or established, individual needs, goals, risk tolerance and investment time horizon.

Clients may impose reasonable restrictions on the adviser's discretion to invest in certain securities or types of securities if a client provides clear, written directions to that effect.

4.D. Do we participate in a wrap fee program providing portfolio management services? No, we do not.

[Therefore the following items do not apply : (1) How does our management of the wrap fee accounts differ, if it does, from how we manage other accounts? / (2) Notice to clients : We receive a portion of the wrap fee for our advisory services.]

4. E. As of January 31, 2012 this firm managed assets of approximately \$57 million: \$52.6 million in discretionary accounts and \$4.4 million in non-discretionary accounts.

Item 5 :Fees and Compensation. . — How our firm is compensated

5.A. A description of the range of fees. [Advisers must respond to these items even if fees are disclosed in contracts.]
Are our fees negotiable? Yes.

Initial Advisory Fees

Financial Plans

Initial fees for the construction of a financial plan are charged at the rate of \$185.00 per hour. Actual cost of the financial plan will vary based on the complexity of the plan involved. The fee for construction of a financial plan is due upon completion of the plan.

Investment Supervisory Services : Quarterly Advisory Fees

Fee Structure	Annual Account Fee	
	<u>Per Quarter</u>	<u>Annualized</u>
First \$250,000	.50	2.00%
Then \$250,000 to \$500,000	.4375	1.75%
Then \$500,000 to \$750,000	.375	1.50%
Then \$750,000 to \$1,000,000	.3125	1.25%
Over \$1,000,000	.25	1.00%

Fees are based on a percentage of assets under advisory and reduced at greater asset levels, varying between 1 percent and 2 percent. Fees are negotiable. The fees are payable quarterly in advance.

When an advisory client requests that her/his account be debited for advisory fee payments, the date used for valuation purposes is the 20th of the month prior to the start of the quarterly billing cycle. When the 20th of the month prior to the start of the quarterly billing cycle falls on a weekend day or a holiday, the next business day after the weekend or holiday will be the valuation date for quarterly advisory fee billing purposes.

Quarterly advisory fees are for advisory services only, and calculated solely on the assets under management. Quarterly advisory fees are in addition to and not a part of any other costs associated with acquisition or ownership of mutual fund shares or any other investment, as discussed and disclosed in the prospectus for such investment products.

The advisory contract may be terminated within five days of initiation without penalty. After five business days, client or investment advisor may terminate contract provided the other party is given thirty days written notice. Upon termination of contract, all unused advisory fees will be refunded, prorated, based on the number of days in the calendar quarter that advisory services were provided. Lower fees for similar services may be found elsewhere.

5.B. . Disclosure : Does our firm bill its clients for the incurred advisory fees by :

- Sending an invoice to the client, OR Obtaining each client's signed permission to deduct the advisory fees from the client's account held by the custodian, OR
- May clients select either method of billing? .

How often does the adviser assesses fees (or bill clients)?

Our advisory firm does practice “direct billing.” That practice requires us to obtain each client’s written permission to deduct our fees directly from the client’s account held by the custodian. [See the ADV Part 1B, Item 2. I]

We may send an invoice to the client ourselves for payment of our financial planning fees. Financial Plan fees are due upon presentation of a plan. G.W. Sherwold Associates charges for its portfolio supervisory service quarterly in advance.

5.C. . Disclosure : Other types of fees or expenses clients may pay in connection with the advisory services. Clients should be aware that opening an investment account carries with it costs beyond the advisory fee(s) our firm charges. When placing a transaction order to buy or sell securities, advisory clients may have to pay any or all of the following charges in addition to the advisory fees charged by this firm.

- Brokerage commissions
- custodian fees
- postage charges
- processing charges
- Ticket charges
- Early surrender
- Transfer fees
- administrative fees for investments in mutual fund fees,
- and 12b-1 fees in addition to administrative fees, and other marketing fees for mutual funds, paid to a broker dealer;
- account maintenance fees charged by a broker dealer for an account, especially if inactive.

We direct clients to this brochure’s Item 12 for further discussion of brokerage costs.

5.D. . Disclosure : Do clients pay fees in advance? How may a client obtain a refund of a pre-paid fee if the contract is terminated prior to a billed period’s end? How will the amount of the refund be determined? Yes. We charge in advance for our portfolio supervisory services. The firm will prorate all fees to account for services begun after a quarter’s start date and for services terminated prior to the end of a quarter. The firm requires a 30-day termination notice in order to be able to liquidate the account in an orderly manner. Mr. Sherwold will calculate the refund that the firm will send to the client.

5.E. Disclosure : Does the firm or any of its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds? [\[Disclosure of compensation received by the adviser or its personnel that is attributable to the sale of a security or other investment \(e.g., brokerage commissions or service fees from the sale of mutual funds\), the conflicts of interest created and how the adviser addresses these conflicts. \]](#)

Mr. Sherwold may, in his capacity as the registered representative of a broker dealer, receive commissions on securities or variable annuities sales, as well as 12(b)-1 fees for mutual funds. Whenever he recommends the purchase of mutual funds or variable annuities and a client then opts to use Mr. Sherwold as the broker dealer’s registered representative to effect the desired purchase, Mr. Sherwold will earn additional income in the form of brokerage commissions and possibly 12(b)-1 fees paid by the mutual fund administration as well. As a registered principal of G.W. Sherwold Associates, Inc., Mr. Sherwold will receive the normal commissions in the brokerage schedule.

Disclosure 5.E.1. Whenever an investment advisory firm’s representatives may earn a commission, or mutual fund management 12b-1 fees, or other forms of sales charges in their capacity as the registered representatives of a broker-dealer, that arrangement creates an incentive to recommend those sales and, as a consequence, an inherent possibility for a conflict of interest. An advisor is a fiduciary who is required to make only those recommendations for a client that solely are in the client’s own best interest, uninfluenced by any calculation of personal gain.

Our firm addresses this potential conflict of interest by disclosing clients of the conflict in this disclosure brochure. We do not reduce our advisory fees to offset the commissions or markups [or commissions to offset fees.]

Disclosure 5.E.2. [Explain] Clients always have the option to purchase through unaffiliated broker-dealers and their agents those investment products our firm recommends

Disclosure 5.E.3 Does our advisory firm receive more than half its revenue from commissions and other sales-based compensation? The firm is both an advisory firm and a broker dealer. Its revenues derive approximately evenly from the two business sides.

Disclosure 5.E. 4. Do we charge advisory fees in addition to commissions or markups? We do, of course, charge advisory fees. That is how most investment advisers perform business. Our investment advisory firm is also a broker dealer and therefore does also receive commissions; the firm does not receive any markups.

Other disclosures for this section : [If the adviser primarily recommends mutual funds, it must disclose whether it will recommend “no-load” funds.](#) Our firm does recommend primarily mutual funds and variable annuities to our clients. Mutual fund recommendations are “no-load” funds, which impose no commission or sales charge (“load”) on the shareholder and an adviser can purchase directly from the fund company, rather than through a broker dealer. However, the mutual funds this firm, as an adviser, recommends are institutional funds available only through a clearing firm, not generally available to the public. The firm can also act as a broker dealer to obtain other, loaded mutual funds for a small account.

Item 6.:Performance-Based Fees and Side-By-Side Management.

Does our firm charge performance-based fees [fees based on a portfolio’s increase in asset value] ?

No, it does not. [See also: Form ADV Part 1A, Item 5. E. (6).

Does our firm have a supervised person who manages an account that pays performance fees?

No, it does not.

NOTE : Regulators have stated that performance fees can cause incentives for an adviser to manage a portfolio with an eye to short term gains only, including investments that are more speculative or have a higher risk of loss. They may also tempt an advisor to allocate more time to them than to other clients’ portfolios due to the possibility of a higher fee. As a fiduciary, an investment adviser is to provide equitable treatment to each client’s managed portfolio as if it were the adviser’s own portfolio - within the investment parameters agreed to with the client.

Item 7. : Types of Clients.

The types of advisory clients we service; requirements for opening or maintaining an account.

Typically our clients include high net worth and other individuals, corporations and other businesses, and pension and profit-sharing plans. We are prepared to provide services to charitable organizations, estates, and trusts as well. G.W. Sherwood Associates, Inc. does not impose any minimum account size requirement for its services.

Item 8. : Methods of Analysis, Investment Strategies and Risk of Loss.

A. An adviser must describe its methods of analysis and investment strategies used in formulating its investment advice. It must explain in detail any unusual risks.

Caution : Investing in securities involves risk of loss.

An adviser must explain the material risks involved for each significant investment strategy or method of analysis used and particular type of security recommended, with more detail if those risks are significant or unusual (i.e., not otherwise apparent from reading the Brochure). A strategy or method of analysis is significant if the adviser uses the strategy or method in advising "more than a small portion of the adviser's clients' assets."

In formulating advice, Mr. Sherwold may apply charting, cyclical, fundamental and technical analyses.

Charting – includes a variety of means of analysis that correlate charts, graphs, and similar **market information** to detect patterns that are judged to be predictable, to reoccur in essentially the same way, given the same chartable factors or relationships among factors. It seeks to predict trends and notice variations in those trends, using various calculated **averages**.

Risks inherent in using a charting analysis : Charting assumes 1) an accurate correspondence between real events and the factors charted by those selecting the data; 2) and that patterns can be detected in such charts such that 3) they are recognizable in advance, predictable as extrapolated from recurring and therefore essentially mechanistic financial events. It is a complicated theory with a mixed historical record. It depends upon a basic assumption that the fundamental influencing financial parameters are not radically different in the time periods considered. That assumption is a concept that recently has been questioned on a number of levels.

Particular stocks may diverge from the market/ sector averages radically. Charting may therefore need to be paired with another form of analysis such as fundamental or technical analyses in order to look more closely at particular securities.

The time period most suitable for use in charting analyses is dependent upon the investor's holding period, portfolio structure, and other factors. The choice of relevant segments of performance over time and the understanding of their place in mapping the forces within the larger time period framework is another consideration.

Time spent using one analytical method will compete with other analytical methods which might have proven more useful and profitable.

Cyclical – This form of analysis classifies sector types of stock and possibly specific stocks with regard to their relation to recurring up and down business cycles and/ or market movements.

Certain kinds of stock show marked tendencies to mirror these larger economic movements, either directly or inversely. Automobile industry stocks, housing stocks, and many others belong to these groups. Others, such as food-related stocks, have little or no relation to these cyclical economic movements. It is important for the analyst using cyclical predictors to have a good understanding of how certain industries relate to the overall economy and any verifiable changes occurring within the system, to ascertain which business sectors will be affected and how greatly by economic changes.

Risks inherent in using a cyclical method of analysis : The analysis is applied to limited kinds of stocks, which either could limit a portfolio or require other forms of investing whose analyses would then need to be related to and integrated with the concepts and investment goals inherent in a cyclical view.

Understanding business cycles is a complicated endeavor at the least.

The time involved in these cycles are generally longer historical periods whose effectiveness may easily be eclipsed by other forms of market action.

Changes in the economy may vary in the magnitude of their cyclical effects from period to period. Deciding when to enter into a predicted cycle and when to leave can require very careful monitoring; demand for certain cyclical industry items may not always be predictable if a significant portion of consumption is from certain foreign purchasers, the Chinese Peoples Republic, for example. Time spent using one analytical method will compete with other analytical methods which might have proven more useful and profitable.

Fundamental Analysis – Called the “bottom-up” approach to investing, a fundamental analysis seeks an in-depth understanding of a **specific firm/** company to evaluate its intrinsic value and its future prospects before investing in its stock. Such an analysis studies the firm’s management, its debt, equity and cash flow, history of financial performance/ growth, dividend payout percentages, its products, operating efficiency and marketing structures, among other factors. The firm’s balance sheet and income statement are two key sources of information about the firm.

Fundamental Analysis will compare a firm’s stock price with its earnings per share and its net earnings to its gross revenues and compare both with the averages for that industry sector. The ratio of current liabilities to current assets is another important element of this form of evaluation. A central focus is deciding whether the stock is over-valued or undervalued.

As a term in large-scale economics, a fundamental analysis studies gross national product, inflation and interest rates, trade and unemployment trends, consumer confidence, savings and spending patterns and inventories in order to predict the larger movements of national and international economies. These larger concerns greatly influence the elements considered in a fundamental analysis of any given company.

Risks inherent in using a fundamental analysis : The factors involved can require time-consuming study that can fall behind the need to make decisions, if such factors begin to change rapidly. Few of the numbers are absolutes; many are relative to other factors or industry sector information. Most require intelligent judgment and experience to be applied meaningfully to stock values.

Fundamental analysis places value on the financial structure and health of the firm to be invested in. These factors at times are of little or no interest to the market place, such that the stock prices for very sound companies may wither when investors look to other reasons and areas for investing.

For a relatively short time period, a firm can falsify facts to hide poor performance or a fragile financial situation. The independence of balance sheets’ and other reports’ numerical information from such possible manipulation may not be readily verifiable.

Additionally, time spent using any one analytical method will compete with other analytical methods which might have proven more useful and profitable.

Technical – Technical Analysis is, together with fundamental analysis, one of the two major schools of stock market study. This form of value analysis focuses on patterns of **volume and price fluctuations** for a **given stock** as compared to the activity of the larger, general market(s) indicators. Securities are evaluated for purchase or sale based on an analysis of market statistics such as volume and prices over time as seen on charts, etc. that are believed to establish relational patterns that can predict future movements in the markets. This relative comparison has little or no concern for any company's fundamental structure, production or worth. Market indicators kept in view include volume and direction of market activity, as indicators of supply and demand for securities, often using one or more established index/ indices, such as the NASDAQ, S&P 500, and the Dow Jones Industrial Average. Trends and Penetrations (e.g. of previous "highs") are another type of indicator used. The patterns discerned, often using charts for a quick grasp of the relationship of various factors, are used to predict future market moves and their effects on stocks in general and/ or on particular sectors of the market.

Risks inherent in using a technical analysis : Technical analysis purports to see patterns deemed repeatable in similar market conditions. Market conditions may consist of many factors any one of which may alter the outcome of an otherwise very similar situation. No one indicator is absolutely reliable, and a multiple of indicators may just as likely complicate understanding and evaluation as much as or more than it allows deeper insight into the market's mechanics.

The understanding(s) offered clients in explanation tend to use generic Technical Analysis, while the working concepts that are derived from those basics and modified by experience and a firm's emphasis may well be hidden in part or completely as proprietary strategy /strategies that may let one advisor or market participant outperform another.

Technical analysis assumes that all the market factors are known to and considered by all the market's participants, although, in fact, the market can act in highly partial and even apparently irrational ways.

Use in a highly volatile market, sometimes termed "dynamic," may have to evaluation possible indications that the underlying causal relationships may be shifting.

In formulating our investment advice, the firm uses financial newspapers and magazines, inspections of corporate activities and facilities, research prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases.

8. B. An advisor must explain the material risks involved in frequent trading if its strategy involves frequent trading of securities. An advisor must explain how frequent trading can affect performance. [An adviser is not required to discuss its cash balance practices..](#)

The firm's trading strategies include holding for the long term (a year or more), and short term investments (traded within a year). Historically, the firm has not traded frequently.

What may be regarded as "frequent trading" varies according to

- the client and the strategy for that client's specific account – one client may have multiple accounts that apply different strategies
- to the type of security or relative mix of securities involved
- and to the current nature of the market.

All these strategies are intended to enhance the portfolio's value and ability to meet a client's stated

goals. All trades will add some costs to be deducted from a client's account and could reduce the overall return or growth in a client's account, if carefully measured against what its value would have been had the adviser not placed the transactions.

8.C. Do we recommend primarily a particular type of security? What are the material risks involved with that type of security? Are those risks unusual or significant?

We primarily recommend institutional mutual funds and variable annuities . We are prepared to provide advice on most types of securities :

<u>Equity Securities</u>		Notable risks involved with this type of investment
exchange-listed securities		Market fluctuations can bring losses, lower dividends
over-the-counter securities		More susceptible to market fluctuations; higher risk
foreign issuers		May not be subject to US standards of financial reporting; higher risk
Commercial paper		Same as OTC
Certificates of deposit		Limited liquidity
Municipal securities		Same as exchange listed; It is possible that they can default
<u>Investment company securities</u>		
variable life insurance		Insurance company could go out of business; the value of the subaccounts are subject to market fluctuation and loss
variable annuities		Same as variable life; not suitable for all clients
mutual fund shares		Market fluctuations can bring losses; various fees
US government securities		Returns can be low or even, rarely, negative. As hedge against equity market risk, mirror them.
<u>Interests in partnerships investing in</u>		
real estate		Historically prone to bubbles and after effects; may lose entire amount invested; not covered by SIPC.
Other :		

The investment advisor furnishes advice to clients involving the utilization of insurance products, such as annuities, on more than an occasional basis. The adviser provides guidance on equipment leasing partnerships and on Real Estate Investment Trusts (REITs).

Item 9 :Disciplinary Information.

What facts about any legal or disciplinary event involving our firm or its personnel should you know of, because it is material to an evaluation of the integrity of our firm or its management persons?

The SEC requires that we inform you, our client, if our firm or any of our management persons has been involved in any of the events listed below in 9. A, B, and C. and, beyond those points, if there is any material fact about any legal or disciplinary event that you should know about in order to evaluate our integrity. You may also see these same questions answered online at the investment adviser public disclosure site (IAPD), in Part 1A, Item 11.

Has our firm or any of our management persons been involved in :

9. A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which our firm or a management person

1. was convicted of, or pled guilty or *nolo contendere* ("no contest") to

- (a) any felony? **No, our firm has not and no one in our firm has been.**
- (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion? **No, our firm has not and no one in our firm has been.** or
- (c) a conspiracy to commit any of these offenses? **No, our firm has not and no one in our firm has been.**
2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses? **No, our firm has not and no one in our firm has been.**
3. was found to have been involved in a violation of an investment-related statute or regulation? **No, our firm has not and no one in our firm has been.** or
4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, our firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order? **No, our firm has not and no one in our firm has been.**
9. B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which our firm or a management person -
1. was found to have caused an investment-related business to lose its authorization to do business? **No, our firm has not and no one in our firm has been.** or
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
- (a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business? **No, our firm has not and no one in our firm has been.**
- (b) barring or suspending our firm's or a management person's association with an investment-related business? **No, our firm has not and no one in our firm has been.**
- (c) otherwise significantly limiting our firm's or a management person's investment-related activities? **No, our firm has not and no one in our firm has been.** or
- (d) imposing a civil money penalty of more than \$2,500 on our firm or a management person? **No, our firm has not and no one in our firm has been.**
9. C. A self-regulatory organization (SRO) proceeding in which our firm or a management person
1. was found to have caused an investment-related business to lose its authorization to do business? **No, our firm has not and no one in our firm has been.** or
2. was found to have been involved in a violation of the SRO's rules and was:
- (i) barred or suspended from membership or from association with other members, or was expelled from membership? **No, our firm has not and no one in our firm has been.;**
- (ii) otherwise significantly limited from investment-related activities? **No, our firm has not and no one in our firm has been.** or
- (iii) fined more than \$2,500 - **No, our firm has not and no one in our firm has been for these reasons.**

Note: You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving your firm or a management person to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the person involved in the disciplinary event to the advisory function; (2) the nature of the infraction that led to the

disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See SEC rule 204-2(a)(14)(iii).

Disciplinary information — An investment adviser is required to disclose in its brochure material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or to the integrity of its management personnel. An investment adviser must deliver promptly to clients updated information whenever there is new disclosure of a disciplinary event or a material change to an existing disciplinary event. [NOT, as in Part 1A, to disclose events relating to related persons =] "requirement that the brochure affirmatively disclose disciplinary information about the adviser and its management personnel."

The SEC has "determined not to require disclosure of arbitration awards in the client brochure. Advisers should, however, carefully consider whether particular arbitration awards or settlements do, in fact, involve or implicate wrongdoing and/or reflect on the integrity of the adviser, and should be disclosed to clients in the brochure or through other means."

Item 9 requires that an adviser must disclose if it (or any of its management persons) has been *involved* in one of the events listed in that item. "Involved" is defined as "[e]ngaging in any act or omission, aiding, abetting, counseling, commanding, inducing, conspiring with or failing reasonably to supervise another in doing an act." If the advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a *client's* or prospective *client's* evaluation of the firm's advisory business or the integrity of its management, the IA must disclose the event. Similarly, even if more than ten years have passed since the date of the event, the IA must disclose the event if it is so serious that it remains material to a *client's* or prospective *client's* evaluation.

Item 10 :Other Financial Industry Activities and Affiliations.

What material relationships does our firm or any of our management persons have with related financial industry participants? What material conflicts of interest may arise from these relationships and how are these conflicts addressed?

A. Have we, or has any of our management persons, registered either as a broker-dealer or as the representative of a broker-dealer? Yes, the firm is registered as both an investment adviser and a broker-dealer. [OR, Do we or any management person have such a registration pending? No.]

As noted previously, because Mr. Sherwold is a registered principal of G.W. Sherwold Associates, Inc., if his clients freely choose to implement his advice through him, the broker-dealer will be G.W. Sherwold Associates, Inc. A conflict of interest exists because of the fiduciary duty to provide unbiased advice to clients and the self-interest in directing brokerage business to the broker-dealer. Similar brokerage services may be available elsewhere at a lower cost. The broker dealer will receive commissions when clients purchase mutual funds, variable annuities, or other investment products that charge a sales load.

B. Have we, or has any of our management persons, registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of these entities named here? OR, Do we or any management person have such a registration pending?

No, none of this item applies to our firm.

C. Do we have any "related person" — a person or a firm that we control or that controls us through ownership or as an officer — with whom we have a material relationship, any arrangement that may cause a conflict of interest when providing our clients with investment advice?

Mr. Sherwold is licensed as a securities salesperson and an insurance agent, and sells insurance and annuities. This business activity accounts for approximately 40% of Mr. Sherwold's time.

Gary W. Sherwold is the owner of G.W. Sherwold Associates, Inc., a FINRA member broker-dealer firm. In Mr. Sherwold's registered principal capacity he could be eligible to receive both commissions on brokerage transactions and possibly certain non-cash incentives. The receipt or potential to receive

these incentives must be disclosed to the client, and could affect his judgment in selecting products sold to his clients. Mr. Sherwold and any other registered representatives of the broker-dealer will receive 12b-1 fees as a result of placing clients with mutual funds that pay 12b-1 fees. Full disclosure will be made prior to such a sale.

As a registered principal of G.W. Sherwold Associates, Inc., Mr. Sherwold will receive the normal commissions in the brokerage schedule.

Otherwise, this firm has no related person who is a :

- Municipal Securities Dealer
- Government Securities Dealer or Broker
- An investment company or other pooled investment vehicle
- including a mutual fund,
- closed-end investment company
- unit investment trust
- private investment company
- hedge fund
- offshore fund
- another investment adviser/ financial planner
- a futures commission merchant, commodity pool operator or commodity trading advisor
- a bank or a thrift institution
- an accountant or accounting firm
- a lawyer or a law firm
- an insurance company or agency
- a pension consultant
- a real estate broker or dealer
- a sponsor or syndicator of limited partnerships.

The risk for a conflict of interest in any such arrangement lies in the compensation to be received; it creates an incentive to recommend the service.

An adviser's **related persons** are: (1) the adviser's officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling, controlled by, or under common control with the adviser; (3) all of the adviser's current employees; and (4) any person providing investment advice on the adviser's behalf.

D. Do we recommend or select other investment advisers for our clients? NO, we do not.

Do we receive compensation from those other advisers for our referrals? NO.

The compensation an adviser can receive, clients should note, creates an incentive to make the recommendation and thereby an inherent risk for a conflict of interest.

Do we have any other business relationships with these advisers that also could cause a conflict of interest and, if "yes," how do we address them? NO. This does not apply to our firm.

Item 11. Code of Ethics / Advisory Persons' own trading and possible personal interest in our clients' trades.

A. As required by SEC rule 204A-1 or similar state rules our firm has adopted a Code of Ethics.

The firm's Code of Ethics entitled, "A Fiduciary's Code of Ethics; Proprietary Trading and Insider Information," will be provided to any client or any prospective client upon request.

Please note that using any insider information, information that is not readily available to all participants in the securities markets (upon making a reasonable effort to obtain that information), for any person, ourselves or relatives or clients or any other person, is strictly illegal and punishable by fines and imprisonment.

How our firm controls sensitive information:

- Building security : visitor screening,
- locked office doors within office
- password protected computer screens and databases; unused computers “sleep”
- fire prevention equipment
- office area under continual supervision during office hours.
- Employees and representatives sign off on an acknowledgment at an annual compliance meeting stating that they will abide by the prohibition against using insider information. The types of securities we recommend do not allow us or our clients to front run.

11. B. [also in Form ADV Part 1A, Item 8. (1)(2) (3)]

Does our firm or a related person recommend to our clients, or do we buy or sell for our clients’ accounts, securities in which we or a related person has a material interest?

Our firm and/ or its associates **do**

- buy or sell for the firm or for themselves shares of mutual funds that we also recommend to our advisory clients;

Our firm and its associates **do not**

- buy securities for the firm or for themselves from advisory clients (principal transactions);
- sell securities the firm or its associates own to advisory clients (principal transactions);
- in their capacity as a broker/ dealer agent, transact purchases or sales of any client’s securities directly to any other person (an “agency cross transaction” that side-steps using a securities market place)
- buy or sell for the firm or for themselves securities (other than shares of mutual funds) that we also recommend to our advisory clients;
- invest or are not permitted to invest in securities related to those we may recommend to clients, such as derivatives
- recommend securities (or other investment products) to our advisory clients in which our firm or any person or other firm related to our firm has some other proprietary (ownership) or other financial interest.
- Act as an investment adviser to an investment company that we recommend to our clients.

11. C. **Personal Trading** : investing in the same or related securities

Does our firm permit itself, its personnel, or a person related to our firm (by ownership or other forms of control) to invest in the same securities that we recommend to our clients, or in securities that are related to those securities, such as options or other derivatives?

[the ADV 2B must discuss the conflicts presented and describe how the firm addresses them.]

Yes, we do allow it. At times the interests of Mr. Sherwold’s own account corresponds with his clients’ interests; in that instance he may purchase or sell for his own account the same or similar securities that he recommends to his clients for purchase or for sale. In each such instance he will first fully disclose this to the client in question. Please note that Mr. Sherwold’s transactions are modest in size and the securities involved are broadly traded and well financed, such that he cannot affect the market nor benefit from his clients’ investments.

As investment advisor he will maintain personal transaction records separately from those of his clients. All rules and regulations of the Investment Advisors Act of 1940 will be strictly enforced. At No Time will he permit insider trading.

When our firm or its personnel buy or sell securities for their own accounts, we will always place clients' orders before our own. We enforce these guidelines by self-imposed discipline.

The possible conflicts of interest that arise whenever we recommend, or, in our discretion, buy or sell for you a security that we may also buy or sell for ourselves are

- using your order's market effect to benefit ourselves ("front running");
- using your order as "inside information" that would give us an unfair advantage in the markets to benefit ourselves or any other person (which is an illegal act);
- gaining a lower brokerage cost for ourselves in bunching orders, which can create an incentive to involve your account in that transaction.

Does any person in our firm participate in or have an interest in our clients' transactions? How does such a person participate or what is the interest and what conflicts of interest can that create? No. No one in the firm has a financial interest in any investment transaction the firm recommends to its clients. Examples of such interests would include an adviser recommending that clients invest in a pooled investment vehicle that the firm advises or for which the investment adviser serves as the general partner, or when an adviser with a material financial interest in a company recommends that a client buy shares of that company.

["Participation or interest in Client Transactions" means the adviser or a related person recommends to clients, or buys or sells for client accounts, securities in which the adviser or a related person has a material financial interest.]
SEC NOTE : Conflicts could arise if an adviser recommends that clients invest in a pooled investment vehicle that the firm advises or for which it serves as the general partner, or when an adviser with a material financial interest in a company recommends that a client buy shares of that company.

11. D. **Personal Trading.** : investing in the same or related securities at the same time.

What specific conflicts do we have when our firm or a related person trades in the same securities at or about the *same time* as it places trades for a client's account?

Our practice is to place clients' trades first. As a broker dealer, Mr. Sherwold reviews all the trades processed by his firm.

"The SEC generally dislikes 'contemporaneous' trading," that is, that anyone in our firm might enter an order for her or his own account at the same time as an order in the same security for a client. Note that these restrictions are not applied to investments in mutual funds that are unaffiliated with our firm. Unaffiliated means a mutual fund that we have not ourselves created or helped establish and/ or in some way act as the fund's managers.

The SEC has stated that "an adviser's ability to place its own trades before or after client trades in the same security may affect the objectivity of the adviser's recommendations" and therefore states further that the SEC believes *disclosure of this practice* is warranted. The SEC has not in that opinion stated a specific length of time before or after. In that respect it could also be noted conversely that clients might have reservations in employing an adviser who does not invest in the same securities the adviser recommends.

What internal controls do we have to prevent our firm and/ or our staff from buying or selling the same or related securities at the same time as we may be placing orders for our clients' accounts? By self discipline we place clients' trades first.

Item 12 :Brokerage Practices.

12. A. Does our firm select a broker/ dealer for you? On what basis do we do so? How do we determine the reasonableness of the broker's compensation (commission charges)?

We do recommend one or more specific broker-dealers for our clients' transactions. Because I am a registered principal of G.W. Sherwold Associates, Inc., if my client freely chooses to implement my advice through me, the broker-dealer is G.W. Sherwold Associates, Inc. A conflict of interest exists because of the fiduciary duty to provide unbiased advice to clients and the self-interest in directing brokerage business to the broker-dealer. Similar brokerage services may be available elsewhere at a lower cost. Commissions are received by the broker-dealer when clients purchase mutual funds, variable annuities, or other investment products that charge a sales load. We use Shareholders Service Group, a correspondent broker dealer, to access the institutional funds available through Pershing.

12. A. 1. Research and other "Soft Dollar" benefits : Do we have any conflicts of interest such as receiving "soft dollars" from the broker/ dealer? [\[The description must be specific enough for clients to understand the types of products or services the adviser acquires \(and must include proprietary and third-party research\), and to permit clients to evaluate possible conflicts of interest. It must be more detailed for products or services that do not qualify for the safe harbor under Section 28\(e\) of the Securities Exchange Act.\]](#) Our firm receives no soft dollars.

In Mr. Sherwold's registered principal capacity he could be eligible to receive certain non-cash incentives. The receipt or potential to receive these incentives must be disclosed to the client, and could affect his judgment in selecting products sold to his clients. Mr. Sherwold and any other registered representatives of the broker-dealer will receive 12b-1 fees as a result of placing clients with mutual funds that pay 12b-1 fees. Full disclosure will be made prior to such a sale.

Required disclosures / explanations:

- a. If an adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the adviser receives a benefit in not having to produce or purchase them itself.
- b. Any such benefit creates an incentive to select or recommend the broker-dealer that provides it; an adviser's duty is to select a broker-dealer based on the most favorable execution services for the adviser's clients.

[c.] Do we "pay up" to obtain soft dollar benefits (that is, do we pay more than the lowest available commission rate)? Do we make our clients pay commissions (or markup or markdowns) higher than those charged by other broker-dealers in return for "paying-up"? NO. We do not.

[d.] Do we use soft dollar products, research or other items for the benefit of all our clients or only certain clients? Do we allocate benefits proportionately to accounts as those accounts generate the soft dollars by our directing brokerage to a specific broker-dealer? We do not receive any soft dollar benefits; this item does not apply to our firm.

[e.] The types of products, services or other benefits our firm or any of its related persons acquired in our firm's last fiscal year due to directing our clients' brokerage to _____ [bd] are : None.

[f.] The procedures our firm used during its last fiscal year to direct our clients' transactions to a particular broker-dealer in return for soft dollar benefits received were : none

Clients need to understand that "soft dollars" are an enticing benefit for an adviser in so far as they provide access to research and / or other products both of use to the adviser in its business and at no expense to the adviser. Clearly, such an enticement creates an incentive to use the broker-dealer in

question and may cause the adviser to use a broker that charges the adviser's clients higher commission rates than another broker-dealer.

An adviser has a duty to seek the best execution of trades for its clients, which includes considerations in addition to the commission rate, however.

Are there additional, material conflicts of interest involved in our use of directed brokerage, due to a relationship with the broker-dealer? NO, other than that the broker dealer will be, as previously disclosed, the same firm, which will receive commissions for transactions.

12. A. 2. Brokerage for client referrals: Do we direct brokerage to a specific broker-dealer in return for client referrals either to our firm or to a related firm? [*includes referrals from a BD or other third party.*] No, we do not. The inherent conflict of interest in this practice stems from an adviser's fiduciary duty to the client to put the client's interests first. The referrals create an incentive to use the broker-dealer not for the services a client will receive, but due to the benefit to the advisory firm. Directed brokerage may result in brokerage costs that are higher than a client might obtain from another broker-dealer.

What procedures did we use during our last fiscal year to direct brokerage to our own firm? We inform our clients that they may use another broker dealer if they wish; in that case, Mr. Sherwold would not be the agent to effect the trade. The institutional product that our firm recommends and obtains for its clients is available only with certain advisers who are authorized to purchase those securities.

12. A. 3.

[a] Do we "routinely recommend, request or require" our clients to direct brokerage? We routinely recommend our own broker dealer services for ease of order transmission and available products. We do not, however, request or require our clients to use our brokerage services. Clients should know that not all advisers do require directed brokerage.

Is the broker-dealer in question an affiliate of our firm or have some other economic relationship? Yes, the firm is both an investment adviser and a broker dealer. We inform our clients here that such a relationship creates an inherent risk for a conflict of interest. By directing brokerage we may not be able to achieve the most favorable execution for client transactions, at an increased cost to our clients than they might have incurred with another broker-dealer.

[b] Do we permit a client to direct brokerage to a specific broker-dealer? Yes. Our practice is to allow clients to choose the broker dealer they want. If a client chooses another broker dealer, Mr. Sherwold will not be the agent to effect transactions. Clients should understand that their choice of broker-dealer may lead to higher brokerage costs than they might have otherwise obtained, due to higher rates or an inability to aggregate orders and thereby reduce transaction costs.

12. B. When we place orders with a broker/ dealer for our clients, do we aggregate or "bunch" your trade order with orders for other clients? We do not aggregate orders; the securities involved – mutual funds and variable annuities – disallow aggregation.

Item 13 :Review of Accounts.

13. A. Does someone in our firm review your investment account portfolio and how often?

All accounts are reviewed by Gary W. Sherwold, Investment Advisor. He performs a review for each account at least annually.

13. B. What factors might trigger a review in addition to our periodic reviews?

Major movements in the securities markets, changes in the national economy or in a client's personal financial situation – when made known to the adviser – may trigger an additional review.

13. C. What regular reports do we or others provide you? Are they written reports? What do they contain? At least annually, on or about the anniversary date of a client's initial service date, we will provide each client with an account review in the form of either a written report or a verbal meeting..

Item 14 :Client Referrals and Other Compensation.

A. Does someone other than a client of our firm pay our firm or related persons, or otherwise provide some economic benefit to our firm, for the investment advice we provide to our clients? [\[12b-1 fees; other; sales awards or prizes\]](#)

In Mr. Sherwold's registered principal capacity he could be eligible to receive certain non-cash incentives. The receipt or potential to receive these incentives must be disclosed to the client, and could affect his judgment in selecting products sold to his clients. Mr. Sherwold and any other registered representatives of the broker-dealer will receive 12b-1 fees as a result of placing clients with mutual funds that pay 12b-1 fees. Full disclosure will be made prior to such a sale.

B. Does our firm or a firm related to us through some form of ownership pay someone, directly or indirectly, for client referrals? Financial professionals may be compensated for referring advisory clients as solicitors of the investment advisor. The Solicitor's Disclosure Statement and Form ADV Part 2AB will be given by the solicitor to any potential referral at the time of the initial solicitation for investment advisory business.

Item 15: Custody.

Does our firm have custody of your assets? Other than the practice of "direct billing" we do not have custody of our clients' funds or securities. The practice of "direct billing" has been defined by the SEC as a form of custody, but also as a "modern practice" that does not require annual audits. Direct billing also requires that the client receive at least quarterly statements from the account custodian, showing the advisory fee.

Who is the qualified custodian of your assets' account? Ordinarily for variable annuities, the custodian will be the insurance company that sponsors the product. Mutual funds that the adviser recommends will have their chosen custodian, which they disclose in the prospectus for that fund. In the instance of the institutional funds that our firm obtains, the custodian is Pershing. The custodian will send to you a quarterly or monthly [for any month in which the account has activity] account statements. NOTE : These statements should be reviewed carefully. It is not the custodian's responsibility to ascertain the accuracy of the calculation for fees subtracted from your account.

Item 16 :Investment Discretion.

A. Does our firm have discretionary authority over your assets? Yes, our firm does seek to obtain its clients' permission to exercise discretion over its clients' accounts regarding the securities to be bought, when and in what amounts. We do not have discretion over the broker dealer to be used or the commissions that will be charged.

B. What limitations are there, or can you place, on our discretionary authority? Suitability parameters, as the client and the adviser establish in the initial interview, are the over-riding limitation on any discretion. Other : Clients may, if they wish, provide a written statement of any restrictions they want honored in the construction of their portfolio. NOTE : The firm gains discretionary authority over a client's account only if and when that client signs a limited power of attorney stating that allowance specifically. A client may revoke that permission at any time.

Item 17. : Voting Client Securities..— proxy voting practices

A. Does our firm have or will it accept authority to vote client securities? NO. We do not.

B. This is our policy and our procedures : that we do not vote proxies. Our firm does not vote its clients' proxies. We state this here in these disclosures. Our firm urges our clients to read and participate in the voting process tied to the shares they own in various companies as an excellent means for our clients to become familiar with those companies in which they are invested.

Item 18 :Financial Information.

A. Custody situations : Does our firm have custody of your funds or your securities investments? No.

- Do we require prepayment of a fee of \$500 (\$1200 for an SEC registrant) or more, 6 or more months in advance of services? We do not.
- Do we practice "Direct Billing" (charging our fees to your account)? We do practice "direct billing" as described above in Item 15 : "Custody"
- Do we or someone in our firm act as the trustee for an advisory client? No, we do not, as far as has been made known to us.

18. B. Financial difficulties : If our firm has discretionary authority over your assets [see Item 16] or custody of our clients' securities or funds, or require or solicit prepayment of fees of \$1,200 or more (for SEC registrants, but only \$500 or more for state registrants), six or more months in advance, then we must disclose if there is any financial condition reasonable likely to impair our firm's ability to meet its contractual commitments to its clients.

Does our firm have any financial condition that could reasonably seem likely to impair our ability to meet our contractual commitments to you, our client? This question is important, especially if an investment adviser has discretion, custody or both; if our financial condition were precarious, our clients would be exposed to increased risks that we might not manage their assets properly, according to the SEC. Prepaid fees might not be refunded if an advisory firm were to cease being able to do business due to insolvency.

No, it does not.

The SEC cautions advisers that their fiduciary duty of full and fair disclosure may require them to continue to disclose any

precarious financial condition promptly to *all* clients, even clients to whom they may not be required to deliver a brochure or amended brochure. If an adviser has discretionary authority over client assets, has custody of client funds or securities, or meets certain other requirements, then the adviser must disclose any financial condition reasonably likely to impair the adviser's ability to meet contractual commitments to clients. An adviser must also disclose if it was the subject of a bankruptcy petition during the past 10 years. Finally, an adviser that requires prepayment of more than \$1,200 in fees per client, six or more months in advance, must give clients an audited balance sheet showing the adviser's assets and liabilities at the end of its most recent fiscal year.

18. C. Has our firm been the subject of a bankruptcy petition during the last 10 years? **No, it has not.**

Item 19 :State Registrant Information. **NOT APPLICABLE**

If you are registering or are registered with one or more *state securities authorities*, you must respond to the following additional Item.

- A. Identify each of your principal executive officers and *management persons*, and describe their formal education and business background. If you have supplied this information elsewhere in your Form ADV, you do not need to repeat it in response to this Item. **See Item**
- B. Describe any business in which you are actively engaged (other than giving investment advice) and the approximate amount of time spent on that business. If you have supplied this information elsewhere in your Form ADV, you do not need to repeat it in response to this Item. **[see Item 10: Other Financial Industry Affiliations]**

The approximate amount of time spent on these activities is :

- _____ as the registered representative of a broker-dealer
- _____ providing insurance products
- _____ providing tax preparation

- C. In addition to the description of your fees in response to Item 5 of Part 2A, if you or a *supervised person* are compensated for advisory services with *performance-based fees*, explain how these fees will be calculated. Disclose specifically that performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the *client*.
- D. If you or a *management person* has been *involved* in one of the events listed below, disclose all material facts regarding the event.

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or administrative *proceeding* involving any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

E. In addition to any relationship or arrangement described in response to Item 10.C. of Part 2A, describe any relationship or arrangement that you or any of your *management persons* have with any issuer of securities that is not listed in Item 10.C. of Part 2A.

Part 2B: The Brochure Supplement : Here we provide information about advisory personnel on whom you rely for investment advice. We must provide this supervised person's supplement to you, our client initially at or before the time when *that* specific supervised person begins to provide you with advisory services.

Item 1. Cover Page.

This brochure supplement provides information about Gary Sherwold that supplements the G.W.Sherwold Associates, Inc. brochure. You should have received a copy of that brochure. Please contact Mr. Sherwold if you did not receive G.W.Sherwold Associates, Inc.'s brochure or if you have any questions about the contents of this supplement. Additional information about Mr. Sherwold is available on the SEC's website at www.adviserinfo.sec.gov.

Gary William Sherwold

Birthdate 5/29/1956

CRD # 1353782

Item 2. Educational Background and Business Experience Describe the supervised person's formal education and his or her business background for the past five years. If the supervised person either has no high school education, no formal education after high school, or no business background, the adviser must disclose this fact in the supplement.

Graduated from Westminster High School, Westminster, CA
1974-75 Attended Fullerton College, Fullerton, CA
1975-79 Attended Goldenwest College, Huntington Beach, CA
Orange Coast College, Costa Mesa, CA

From June of 1997 to the present Mr. Sherwold has been a broker-dealer registered principal and registered representative, President and chief compliance officer, and an investment advisory representative of G.W. Sherwold Associates, Inc. G.W. Sherwold Associates, Inc. is registered both with FINRA as a broker dealer and with the SEC as an investment adviser.

He is licensed as a securities salesperson and an insurance agent, and is in the business of selling insurance and annuities. This business activity accounts for approximately 40% of his time.

Item 3. Disciplinary Information. Item 3 requires disclosure of any legal or disciplinary event that is material to a client's evaluation of the supervised person's integrity. The Commission presumes certain disciplinary events are material to such an evaluation if they occurred during the last ten years.

Mr. Sherwold is registered in 2 jurisdictions, suspended in no jurisdiction. The investment adviser public disclosure site records : "Are there events disclosed about this Investment Adviser Representative? **Yes**" and discloses the following : three counts of customer disputes:

1. On 12.7.1994 process was served alleging unsuitable purchases; the matter was settled 11.6.1995 with a personal compensation payment of \$4,999 (of a total of \$15,000).
2. 10.2009 an arbitration regarding a variable annuity was settled 2.2011, at no cost to Mr. Sherwold.
3. An oral complaint from 07.2002, closed without action.

Disclosure of any event for which the supervised person had ever resigned or otherwise relinquished a professional attainment, designation or license in anticipation of it being suspended or revoked (other than for suspensions or revocations for failure to pay membership dues).

Item 4. Other Business Activities. Item 4 requires an adviser to describe other business activities of its supervised persons. The item specifically requires disclosure with respect to other capacities in which the supervised person participates in any investment-related business

Mr. Sherwold is licensed as a securities salesperson and an insurance agent, and is in the business of selling insurance and annuities. This business activity accounts for approximately 40% of his time. Gary W. Sherwold is the owner of G.W. Sherwold Associates, Inc., a FINRA registered broker-dealer and an SEC registered investment adviser firm.

As noted above in Part 2A, whenever Mr. Sherwold recommends a service to an advisory clients, and he himself will be the paid provider of that recommended service, such a situation inherently creates a potential conflict of interest. As a fiduciary Mr. Sherwold must recommend only those services and products that are in a client's own best interest, free of any influence of possible gain for himself. The firm addresses this possible conflict of interest by disclosing it to the firm's clients.

In Mr. Sherwold's registered principal capacity he could be eligible to receive certain non-cash incentives. The receipt or potential to receive these incentives must be disclosed to the client, and could affect his judgment in selecting products sold to his clients. Mr. Sherwold and any other registered representatives of the broker-dealer will receive 12b-1 fees as a result of placing clients with mutual funds that pay 12b-1 fees. Full disclosure will be made prior to such a sale.

As a registered principal of G.W. Sherwold Associates, Inc., Mr. Sherwold will receive the normal commissions in the brokerage schedule.

Disclose any material conflicts of interest such participation may create. In addition, the item requires the supplement to include information about any compensation, including bonuses and non-cash compensation, the supervised person receives based on the sales of securities or other investment products, as well as an explanation of the incentives this type of compensation creates. The SEC requires disclosure of other business activities or occupations that the supervised person engages in if they involve a substantial amount of time or pay. Clients may have different expectations of an individual whose sole business is providing investment advice than of an individual who is engaged in other substantial business activities.

Item 5. Additional Compensation. This item requires that the supplement describe arrangements in which someone other than a client gives the supervised person an economic benefit (such as a sales award or other prize) for providing advisory services.

In Mr. Sherwold's registered principal capacity he could be eligible to receive certain non-cash incentives. The receipt or potential to receive these incentives must be disclosed to the client, and could affect his judgment in selecting products sold to his clients. Mr. Sherwold and any other registered representatives of the broker-dealer will receive 12b-1 fees as a result of placing clients with mutual funds that pay 12b-1 fees. Full disclosure will be made prior to such a sale. As a registered principal of G.W. Sherwold Associates, Inc., Mr. Sherwold will receive the normal commissions in the brokerage schedule.

Item 6. Supervision. This item requires an adviser to explain how the firm monitors the advice provided by the supervised person addressed in the brochure supplement. It also requires a firm to provide the client with the name, title, and telephone number of the person responsible for supervising the advisory activities of the supervised person.

Mr. Sherwold is his own supervisor. He maintains on file in the firm's offices reports of his proprietary trading activities and the formulation of his recommendations for the regulator to review at will. The firm has a limited size and resource exception that means the firm's second principal, J. Toledano, can review Mr. Sherwold's proprietary trading activity, even though he is not independent.

Item 7. State Registration requirements Mr. Sherwold maintain his registration as an advisory representative of his

firm in the state of California.

Advisers may elect to prepare a supplement for each supervised person. Alternatively, they can prepare separate supplements for different groups of supervised persons (e.g., all supervised persons in a particular office or work group). To promote comparability of brochure supplements, we are requiring that a brochure supplement must be organized in the same order, and contain the same headings, as the items appear in the form, whether provided in a brochure or separately.

Deliver a brochure to clients

An advisory firm must give a firm *brochure* to each *client* before or at the time it enters into an advisory agreement with that *client*. See SEC rule 204-3(b) and similar state rules.

Each year the IA firm must (i) deliver, within 120 days of the end of its fiscal year, to each *client* a free updated *brochure* that either includes a summary of material changes or is accompanied by a summary of material changes, or (ii) deliver to each *client* a summary of material changes that includes an offer to provide a copy of the updated *brochure* and information on how a *client* may obtain the *brochure*. See SEC rule 204-3(b) and similar state rules.

The IA firm does not have to deliver an interim amendment to *clients* unless the amendment includes information in response to Item 9 of Part 2A (disciplinary information). An interim amendment can be in the form of a document describing the material facts relating to the amended disciplinary event. See SEC rule 204-3(b) and similar state rules.

Note: As a fiduciary, an advisory firm has an ongoing obligation to inform its *clients* of any material information that could affect the advisory relationship. As a result, between *annual updating amendments* the firm must disclose material changes to such information to *clients* even if those changes do not trigger delivery of an interim amendment. See General Instructions for Part 2 of Form ADV, Instruction 3.

May an advisor deliver its *brochure* electronically? **Yes**. The SEC has published interpretive guidance on delivering documents electronically, which advisors can find at <www.sec.gov/rules/concept/33-7288.txt>.