

**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Sanchez Wealth Management, LLC ("SWM," "us" or "we"). If you have any questions about the contents of this brochure, please contact us at (775) 853-1600 or [jon@sanchezwealthmanagement.com](mailto:jon@sanchezwealthmanagement.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about SWM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 153010.

## **Item 2. Material Changes**

The SEC adopted “Amendments to Form ADV” in July, 2010. This Firm Brochure, dated 03/22/2012, is our new disclosure document prepared according to the SEC’s new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure. At this time, there are no material changes to report about our Brochure.

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## **Item 4. Advisory Business**

SWM is a SEC-registered investment adviser with its principal place of business located in Reno, Nevada. SWM began conducting business as a registered investment adviser in 2010.

Jon G. Sanchez, Managing Member, Chief Executive Officer and Chief Compliance Officer of SWM, is the firm's sole shareholder.

SWM offers the following services to our advisory clients: Model Portfolio Management, Financial Planning, Pension Consulting, Seminar and Education Products, and a Newsletter. Please see the disclosure below in this Item for additional information regarding these services.

As of 12/31/2011, we were actively managing \$36,900,882 of client assets on a discretionary basis and \$92,225,824 on a non-discretionary basis.

### MODEL PORTFOLIO MANAGEMENT

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each of our model portfolios is designed to meet a particular investment goal. We manage these advisory accounts on a discretionary basis only. Account supervision is guided by the client's stated objectives (e.g., growth or a balance between growth and income), as well as tax considerations.

Through personal discussions with the client in which the client's goals and objectives are established, we determine which of our model portfolios is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities: exchange-traded funds ("ETFs"), stocks, bonds, no-load mutual funds, and equity-indexed annuities.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

- send quarterly written reminders to each Model Portfolio Management client requesting any updated information regarding changes in the client's financial situation and investment objectives;
- at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
- be reasonably available to consult with the client; and
- maintain client suitability information in each client's file.

### FINANCIAL PLANNING

We also provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients receiving this service receive a written report that provides the client with a detailed financial plan designed to help achieve his or her financial goals and objectives.

In general, the financial plan will focus on eleven areas, with the ultimate goal of increasing a client's wealth, protecting their assets and increasing their net worth. The eleven wealth building blocks are:

1. Entrepreneurship
2. Stock market investments
3. Real estate
4. Estate Planning
5. Insurance Protection
6. Asset Accumulation
7. Liability Reduction
8. Emergency cash
9. Tax Strategies
10. Cash flow
11. Personal well being

We gather relevant information through in-depth personal interviews. Information gathered typically includes a client's current financial status, tax status, future goals, return objectives and attitudes towards risk. We carefully review any documents supplied by the client and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, and other advisers. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within six months of the initial meeting, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

#### PENSION CONSULTING

In addition, we provide several advisory services separately or in combination to 401(k) and other types of retirement plans. Pension Consulting is comprised of four distinct services. Clients may choose to use any or all of these services.

- ***Investment Policy Statement ("IPS") Preparation:*** We will meet with a client to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing intervals for monitoring of investment performance.
- ***Selection of Investment Vehicles:*** We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds and/or ETFs to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.
- ***Monitoring of Investment Performance:*** We monitor client investments continually, based on the procedures and timing intervals set forth in the IPS. Although our firm is not involved in the purchase or sale of these

investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

- ***Employee Communications:*** For retirement plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide periodic educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will not provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

### SEMINARS AND EDUCATION PRODUCTS

We sponsor seminars and produce educational products, such as books and DVDs, on various investment topics. The investment information provided under this service does not purport to meet the objectives or needs of the user. The seminars and education products provide users with information regarding asset allocation strategies, estate and retirement planning, and other general investment or financial topics. Our seminars and education products are available to the public.

### NEWSLETTER

We also publish a newsletter providing general information on various financial topics including, but not limited to, estate, retirement and tax planning, stock market trends, and real estate. The information provided does not purport to meet the objectives or needs of any individual.

## Item 5. Fees and Compensation

### FEES FOR MODEL PORTFOLIO MANAGEMENT

The annual fee for our individual portfolio management services is charged as a percentage of the amount of assets under management with SWM according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
Under \$1 million	1.50%
\$1 million or more	0.90%

Therefore, if a client's account is valued at \$2,000,000, the annual fee would be calculated as follows: 0.90% per year or 0.075% per month (0.90 / 12).

Our annual fee is assessed monthly, in arrears. This means that clients are charged 1/12 of their annual fee at the end of each month. The management fee is based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the month. Clients will be invoiced or have their fees debited from the account in accordance with client authorization.

There is no minimum account value or minimum fee requirement for this service.

### FEES FOR FINANCIAL PLANNING

Our fees are typically charged in one of the following ways:

- As a fixed fee of \$1,500 ; or
- At a rate of \$300 per hour.

All fees are negotiated directly with the client. We may increase or decrease this fee (fixed or hourly) based upon the complexity of the client's financial situation as well as the utilization of other professionals. All fees are agreed upon prior to entering into a contract with the client. We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six



months. The balance is due upon completion of the service. There is no minimum fee for this service.

If a Financial Planning client engages SWM for our Model Portfolio Management services and opens an account with assets of at least \$25,000, we will typically waive our Financial Planning fee.

#### FEES FOR PENSION CONSULTING

SWM offers several fee options. We may be compensated based on an annual percentage of plan assets for services involving ongoing reviews, or we may be compensated by an hourly fee or a fixed fee. Alternatively, these different types of fees may also be combined as appropriate for the different types of services requested by the client.

Typically, the annual fee ranges from 0.10% to 1.00% of plan assets depending on the services requested and the size of the plan. Plan sponsors will be invoiced in arrears at the end of each month or as agreed to at the start of the relationship. Fees will be based upon the value of the plan at the end of the month. Fees will not be adjusted based on additions and withdrawals during the calendar quarter.

Our hourly charges range from \$200 to \$300 per hour. A fixed fee may be quoted based on an estimate of hours for the services requested. We may request a retainer for hourly and fixed fee arrangements. The amount of a requested retainer will never exceed the fee for services to be provided within the first six months of an engagement.

#### FEES FOR SEMINARS AND EDUCATION PRODUCTS

SWM will charge a participation fee for its seminars, ranging from \$35 to \$50 per person attending the seminar. We will bill the seminar attendance fee prior to the execution of the Seminar Service. The charge for our education products typically range from \$9.99 to \$1,500.

#### FEES FOR OUR NEWSLETTER

The annual subscription fee for this service is \$200. We will typically waive the subscription fee for our Model Portfolio Management and Pension Consulting clients.

## GENERAL FEE INFORMATION

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Negotiability of Fees:*** In certain circumstances, all fees may be negotiable. Further, we may waive or discount advisory fees for family members and friends of the owners and employees of our firm. These fee waivers or discounts are not generally available to all advisory clients of SWM.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees may be paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any unpaid fees will be due and payable.

***Fund Fees:*** All fees paid to SWM for advisory services are separate and distinct from the fees and expenses charged by ETFs or mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in an ETF or mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. Please refer to Item 12 of this Brochure for additional information about our brokerage practices.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

***Compensation for the Sale Insurance and Insurance-related Investment Products:*** Jon G. Sanchez, Chief Executive Officer, Chief Compliance Officer and sole shareholder of SWM, is an owner of Sanchez Insurance Agency, LLC ("Sanchez Insurance"). Sanchez Insurance is a licensed full-service independent insurance agency. Mr. Sanchez and certain other management persons and employees of SWM are separately licensed as insurance agents for Sanchez Insurance and one or more independent and unaffiliated insurance companies. As such, they, as insurance agents, will be able to purchase insurance and insurance-related investment products for clients, for which they will receive separate and additional compensation. Our clients are not under any obligation to engage these individuals when considering implementation of investment recommendations. The implementation of any recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by our management persons or employees creates a conflict of interest and gives these individuals an incentive to recommend insurance products based on the compensation received, rather than on a client's needs. SWM endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- We do not charge the client our annual asset-based fee described above on the portion of a client's portfolio made up of the investment products in which its management persons or employees have earned commissions;
- We disclose to clients the existence of all material conflicts of interest, including the potential for its employees to earn compensation from advisory clients in addition to our advisory fees;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our management persons and employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;

- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

We do not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7. Types of Clients**

We provide advisory services, where appropriate, to individuals and high net worth individuals.

As previously disclosed in Item 5 of this Brochure, our firm has no minimum requirements for opening and maintaining an account.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to gauge the intrinsic value of securities, industries, sectors, regions and asset classes by looking at economic and financial factors (including traditional measures of valuation, the overall economy, industry conditions, and financial conditions) to determine if a security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate general market movements. This presents a potential risk, as the price of a security can move up or down

along with the overall market regardless of the economic and financial factors considered in evaluating a security.

**Technical Analysis.** Technical analysis involves the analysis of past market movements and the application of that analysis to the present in an attempt to recognize recurring patterns of investor behavior and to predict future price movement.

Charting and cyclical analysis are types of technical analysis that we use. Charting involves the review of charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse. Cyclical analysis involves measuring the movements of a particular security relative to the overall market in an attempt to predict the price movement of the security.

Technical analysis does not consider the underlying financial conditions of a security. This presents a risk in that a poorly-managed or financially unsound investment may underperform regardless of market movement.

**Sector Analysis.** We also utilize sector analysis. Sectors are groups of companies that perform similar functions within the economy (e.g., utilities, consumer staples, transportation, technology, and health care). Sector analysis involves dividing the overall market into sectors and then studying the performance of each sector individually, so that sectors can be compared to each other or to the market as a whole.

Using sector analysis alone does not take into account the underlying financial conditions of a given security. This presents a risk in that a poorly-managed or financially unsound investment may underperform regardless of the current condition of a sector of the economy.

**Mutual fund and/or ETF analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Risks for all forms of analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases:*** We will purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline in value before we make the decision to sell.

***Short-term purchases:*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less).

We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading:** When using this strategy, we will purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings. Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to take a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Asset Allocation:** In implementing our clients' investment strategy, we attempt to identify an appropriate ratio of equities, fixed-income, commodities, currencies and cash (i.e. "asset allocation") suitable to the client's investment goals and risk tolerance. We believe the successful application of this approach is effective in generating strong returns – especially on a risk adjusted basis.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Options<sup>1</sup>:** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are “calls” and “puts.” A call gives a client the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives a client the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We may use options to “hedge” a purchase of the underlying security; in other words, we may use an option purchase to limit the potential upside and downside of a security in our client’s portfolios.

We also may use “covered calls”, in which we sell an option on a security held in our client’s portfolios. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price.

In addition, we may use a “spreading strategy”, in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss. A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

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<sup>1</sup> For more information regarding options, you may refer to The Options Industry Council website: <http://www.888options.com/basics/default.jsp>



## RISK OF LOSS

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### **Item 9. Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

As disclosed above in Item 5 of this Brochure, the management persons and other employees of SWM may be insurance agents for Sanchez Insurance Agency and various insurance companies. Please see this disclosure for information regarding these relationships, the applicable conflicts of interest, and how we manage these conflicts.

### **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

#### CODE OF ETHICS

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. SWM and our personnel owe a duty of loyalty, fairness and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

Our Code of Ethics includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access

to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics requires that anyone associated with this advisory practice with access to advisory recommendations, client holdings or other specified information (“access persons”) provide annual securities holdings reports and quarterly transaction reports of all reportable transactions to the firm's designated officer. These reports are made available to an appropriate regulatory agency upon request and will be reviewed on a regular basis by the Chief Compliance Officer of SWM, or his designee, to supervise compliance with the firm's Code of Ethics.

Our Code also contains oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email to [jon@sanchezwealthmanagement.com](mailto:jon@sanchezwealthmanagement.com), or by telephone at (775) 853-1600.

#### SUMMARY OF PERSONAL TRADING POLICY

Our firm and the individuals associated with our firm may buy or sell securities for their personal accounts that are identical to or different from those recommended to our clients. In addition, the firm and these individuals may have an interest or position in a security which may also be recommended to a client. As these situations represent actual or potential conflicts of interest with our clients, we have taken the following steps to assure that: (i) the personal securities transactions of our employees will not interfere with making and implementing decisions in the best interest of our advisory clients; (ii) our firm complies with its regulatory obligations; and (iii) we provide our clients with full and fair disclosure of such conflicts of interest:

1. Prohibiting the firm, its owners and employees from:
  - a. Putting their own interest above the interest of an advisory client.
  - b. Buying or selling securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
  - c. Purchasing or selling any security immediately prior to a transaction(s) in the same securities being implemented for an advisory account.

2. Our firm requires prior approval for any IPO or private placement investments by access persons of the firm.
3. We maintain a list of all reportable securities holdings for our firm and our access persons. These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee to verify compliance with this personal trading policy.
4. We have established procedures for the maintenance of all required books and records.
5. We require all of our principals and employees to act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
6. We provide each supervised person of our firm a copy of our Code of Ethics on an annual basis.
7. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
8. Any individual who violates any of the above restrictions may be subject to termination.

#### AGGREGATION OF EMPLOYEE TRADES WITH CLIENT TRANSACTIONS

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price. Transaction costs will be charged a fixed, per-trade fee or a fee based on the number of shares traded for each client (depending upon the individual client's arrangement with the applicable custodian/broker). In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

Please review the disclosures in Item 12 for a more detailed understanding of the firm's trade aggregation policies and procedures.

#### PRINCIPAL TRANSACTIONS

SWM and individuals associated with our firm are prohibited from engaging in principal transactions. A principal transaction is a transaction where SWM or a person associated with SWM, as principal, buys securities from, or sells securities to, an SWM client.

## Item 12. Brokerage Practices

### BROKERAGE DISCRETION

We request that we be provided in writing with the discretionary authority to determine:

- the broker-dealer to use for client transactions; and
- the commission/transaction costs that will be charged to clients for these transactions.

Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall also be submitted in writing.

We will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help us in providing investment management services to clients. We may, therefore use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

SWM typically uses the brokerage services of National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity"), for its advisory client accounts. Fidelity is a FINRA<sup>2</sup>-member broker-dealer unaffiliated to SWM. SWM has an arrangement with Fidelity through which Fidelity provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like SWM in conducting business and in serving the best interests of our clients but that may also benefit us.

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<sup>2</sup> FINRA is the largest independent regulator for all securities firms doing business in the United States. For more information, please refer to FINRA's website: <http://www.finra.org/>.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables SWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies. We have no formal or informal arrangements with Fidelity to provide us with any specific research or brokerage services other than what is otherwise made available by Fidelity to the investment advisers that use its platform services.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of our clients and satisfies our client obligations, including our duty to seek best execution.

A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

## DIRECTED BROKERAGE

Many clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker-dealer. These clients may instruct SWM to execute all transactions through that broker. In the event that a client directs us to use a particular broker or dealer, it should be understood that, under those circumstances, we will not have authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who have not directed the use of a broker-dealer).

## SUMMARY OF TRADE AGGREGATION POLICY

SWM will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker. SWM's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with SWM, or our firm's order allocation policy.
2. The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will enable us to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, barring unusual circumstances related to timing and security price, a written list is completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must equitably share in the commissions and transaction costs. Transaction costs may be charged as a fixed, per-trade fee or a fee based on the number of shares traded for each client (depending upon the individual client's agreement with the applicable custodian/broker).
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

### **Item 13. Review of Accounts**

#### **MODEL PORTFOLIO MANAGEMENT**

*Reviews:* While the underlying investments within the Model Portfolio Management accounts are continually monitored, these accounts are reviewed on a monthly basis. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by

material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Jon G. Sanchez, Chief Executive Officer, Chief Compliance Officer, and Managing Member of SWM.

**Reports:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer/custodian, we provide quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

#### FINANCIAL PLANNING

Clients receiving this service will receive a financial plan. Any reviews and additional reports will be provided as contracted for at the inception of the advisory relationship.

#### PENSION CONSULTING

**Reviews:** We will review the client's IPS whenever the client advises us of a change in circumstances regarding the needs of the plan. We will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: Jon G. Sanchez, Chief Executive Officer, Chief Compliance Officer, and Managing Member of SWM.

**Reports:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

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

It is our policy not to pay referral fees to affiliated or unaffiliated individuals or firms for referring us potential clients.



As insurance agents, our management persons and other employees are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. We address this conflict by reviewing recommendations made to our clients to determine that all recommendations are consistent with the best interests of our clients. Please see the disclosure at Item 5 of this Brochure for additional information about how we manage this conflict of interest.

## **Item 15. Custody**

We previously disclosed in Item 5 of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account reports directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these reports to the custodian's statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16. Investment Discretion**

Clients may hire us to provide discretionary portfolio management services. Where we have been provided investment discretion, we place trades in a client's account without obtaining specific client permission prior to each trade. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary advisory agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17. Voting Client Securities**

We do not vote client securities. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore, SWM and/or the client shall instruct each custodian of the applicable assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We also do not typically provide advice to clients regarding the clients' voting of securities.

## **Item 18. Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. SWM has no additional financial circumstances to report and has never been the subject of a bankruptcy petition.