

# Beacon Pointe Wealth Advisors, LLC

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## Form ADV, Part 2A Brochure

October 28, 2013

This brochure provides information about the qualifications and business practices of Beacon Pointe Wealth Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 866-272-1272. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Beacon Pointe Wealth Advisors, LLC or any person associated with Beacon Pointe Wealth Advisors, LLC has achieved a certain level of skill or training.

Additional information about Beacon Pointe Wealth Advisors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

**Revised October 28, 2013**

The purpose of this page is to inform you of material changes since the last annual update to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Beacon Pointe Wealth Advisors, LLC ("BPWA") reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes BPWA made since the last annual update to the brochure.

Material changes from BPWA's brochure dated March 28, 2013:

### ***Item 4 - Advisory Business***

In April of 2013, BPWA opened a branch office in Riverside, California. As a result, James Valmonte and Teri Parker, the Managing Directors of BPWA who oversee the activities of the Riverside office, attain a minority ownership interest in BPWA.

In October of 2013, BPWA opened a branch office in Santa Barbara, California. As a result, Gary Dorfman, the Managing Director of BPWA who oversees the activities of the Santa Barbara office, attains a minority ownership interest in BPWA.

### ***Item 12 – Brokerage Practices***

BPWA no longer participates in TD Ameritrade's Additional Services program.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Beacon Pointe Wealth Advisors, LLC (“BPWA,” “we,” “our,” or “us”) is an independently owned limited liability company formed July 2009 and in September 2009 started operating as an investment adviser registered with the U.S. Securities and Exchange Commission. Shannon E. Eusey and Garth K. Flint indirectly through privately owned companies are the principal owners of BPWA. BPWA employees who have minority ownership of the firm include Matthew Cooper, Bruce Meyer, Eric Howie, Laine Ainsworth, Mark Moehlman, James Valmonte, Teri Parker and Gary Dorfman.

### Advisory Services Offered

BPWA offers investment advisory services to a variety of clients. When entering into an agreement for services with BPWA, the client will authorize BPWA to utilize sub-advisers for any or all of the services provided by BPWA. BPWA has entered into an operational service agreement with Beacon Pointe Advisors, LLC (“Beacon Pointe”), a related investment adviser, under which Beacon Pointe provides us with operational support and manager research. BPWA’s investment strategies utilize the Independent Managers and investment vehicles recommended by Beacon Pointe through their proprietary investment selection process. For information on how Beacon Pointe conducts its Investment Manager selection, please refer to Beacon Pointe’s Form ADV 2 Brochure.

BPWA’s service offerings include participation in the Managed Account Program.

#### Asset Management (“Managed Account Program”)

A client can engage BPWA to implement investment recommendations on a fee basis with BPWA actively managing client assets under our Managed Account Program (“Program”). Under the Program, BPWA will:

1. Recommend to clients certain unaffiliated third party investment managers (“Independent Managers”) to manage a portion or all of the assets designated by the client in accordance with the terms and conditions of the Program
2. Provide ongoing monitoring and reviewing of each Independent Manager
3. In some cases, manage a portion of the client’s assets by primarily allocating the assets among various classes of shares of no-load mutual funds, Exchange Traded Funds (ETFs), real estate investment trusts (REITs) or private funds.

We offer these services under the Program on a discretionary basis, including the hiring and/or firing of Independent Managers, and in accordance with the client’s investment objectives and any reasonable restrictions the client may wish to place on the account. BPWA reserves the right to not accept and/or terminate management of a client’s account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client’s investment strategy. Clients should notify us promptly in writing if there are any changes in their financial situation, investment objectives, or if they wish to impose or change any restriction(s) on their account.

Under the Program, BPWA primarily invests client accounts by utilizing Independent Managers included on Beacon Pointe’s recommended manager list to manage the various asset classes determined in the

client's asset allocation. Generally, client portfolios are managed by the Independent Managers through separate accounts or through mutual funds, depending on the vehicles offered by the Independent Managers and account size or other considerations specific to each client. BPWA may also directly manage the client's account utilizing mutual funds, ETFs, REITs and private funds. In addition, client portfolios may at times utilize other strategies or contain securities not included on the recommended list in the course of an acquisition or at the direction of the client; typically, these assets will be transitioned over time to the Independent Managers or securities that are recommended by Beacon Pointe. Clients may place reasonable restrictions on the management of their account with the Independent Managers. We describe our process for selecting managers and the material investment risks for our strategies under **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**, below.

BPWA may offer investment advice on any investment held by the client at the start of the advisory relationship. BPWA may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry.

We discuss our discretionary authority below under **Item 16 - Investment Discretion**.

We describe the fees charged for our asset management services ("Managed Account Program") below under **Item 5 - Fees and Compensation**.

#### *Financial Planning Services*

BPWA may provide certain clients with a financial analysis including non-investment related matters. This service includes gathering of information regarding the client's current and historical status in the areas of net worth, income, expenses, taxes, investments, retirement plans and insurance, as well as future goals and objectives. We then develop a personalized plan, which includes specific recommendations in applicable areas.

Areas of focus may include retirement, education funding, survivor needs, or wealth transfers. Our financial planning services do not include preparation of any kind of income tax, gift, or estate tax returns nor preparation of any legal documents, including wills or trusts.

### **Assets Under Management**

BPWA manages client assets on continuous and regular basis. As of 9/30/2013, the total amount of discretionary assets under our management was \$657,028,051. We did not manage any accounts on a non-discretionary basis.

## **ITEM 5 - FEES AND COMPENSATION**

### **Fee Schedule**

#### *Asset Management ("Managed Account Program")*

BPWA charges advisory fees to clients who are in the Program. The advisory fees are negotiable and are charged based on a percentage of the market value of the portfolio under management, per a tiered fee schedule.

Our current Program Fee ranges from 0.30% to 1.00% of assets under management.

Some accounts may be under different fee schedules; the maximum fee rate is 1.65%. The advisory fees noted above do not include the investment management fees charged by Independent Managers.

### Financial Planning Services

BPWA's financial planning services are charged on a project fee or hourly basis. Fees are determined based on the nature and complexity of the planning services to be provided. Fees are subject to negotiation and could vary depending on the client's specific circumstances. The project fee includes the development and delivery of the plan. BPWA will also periodically review plans upon request of the client on an hourly basis.

## **Billing Method**

### Asset Management ("Managed Account Program")

BPWA's advisory fees are generally payable quarterly in advance at the beginning of each calendar quarter. We charge one fourth of the annual fee each quarter based on the market value of the client's portfolio as of the last day of the prior calendar quarter.

If a client contributes capital to the account, including the initial capital, on a date other than the last day of a calendar quarter, we will charge the account a prorated portion of the fees for that calendar quarter for that contribution based on the number of days remaining in that calendar quarter. Similarly, if a client withdraws a portion of the assets from the account on any date other than the last day of a calendar quarter, we will prorate the fees previously paid for that calendar quarter based on the number of days elapsed in that quarter before the withdrawal and we will refund the unearned portion to the client's account. Fees for the initial quarter under management are pro-rated and charged in arrears with the next quarter's advance payment.

BPWA may aggregate related client accounts for purposes of calculating the advisory fees applicable to each client. BPWA also reserves the right to reduce or waive our fees for employee or family accounts and certain client accounts.

With client authorization, BPWA will automatically withdraw BPWA's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on BPWA's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. We may make rare exceptions to this policy and bill clients directly. In these rare cases, BPWA will send an invoice to the client who chooses not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due.

### Financial Planning Services

Project fees are payable upon submission of the final bill once the project is completed. The fee and payment terms for hourly engagements are negotiable.

## Other Fees and Expenses

BPWA's fees do not include custodian fees or the fees charged by Independent Managers. Clients should review the Independent Manager's ADV 2 Brochure regarding fee schedules, other fees charged by Independent Managers and applicable billing methods. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in the accounts from the assets in the account, which are in addition to the fees the client pays to BPWA. See **Item 12 - Brokerage Practices** below for more information. Clients in the Managed Account Program also pay management fees of Independent Managers.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to BPWA for advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both BPWA and the mutual fund manager for the management of their assets.

## Termination

### Asset Management ("Managed Account Program")

Either party may terminate the managed account program agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing BPWA at our office.

BPWA will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

### Financial Planning Services

Either party may terminate the financial planning agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing BPWA at our office.

Upon notice of termination, BPWA will calculate fees due for services provided through the date of termination. Any fees that we have earned for the services provided will be due upon termination. If the client paid fees in advance that were more than the amount due for services, BPWA will refund any unearned fees to the client. We will prorate the refund based on the effective date of termination.

## Other Compensation

BPWA does not 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.

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

BPWA does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.



## ITEM 7 - TYPES OF CLIENTS

BPWA offers investment advisory services to individual clients, trusts, estates, charitable organizations, corporations, pension and profit sharing plans, and private funds.

### Account Requirements

Generally, BPWA requires clients to maintain a minimum account size of \$1 million. Significant funds withdrawal may result in a request for additional fund deposits to continue with management of accounts. We generally combine family accounts to meet the account size minimum. BPWA may reduce or waive the account minimum requirements at our discretion.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis and Investment Strategies

In beginning a new client relationship, BPWA seeks to fully understand the needs, circumstances, priorities, and goals of each client. BPWA works with clients to articulate an investment policy that reflects the client's current objectives and levels of risk tolerance, and incorporates any restrictions the client wishes to impose on the account.

Based on the client's current objectives and levels of risk tolerance, BPWA will recommend that clients authorize the active discretionary management of their assets by certain investment managers. No such investment manager is a related person of BPWA. BPWA's investment strategies utilize the independent managers and investment vehicles recommended by Beacon Pointe through their proprietary investment selection process. Clients can learn more about the methods of analysis and investment strategies related to Beacon Pointe's process under ***Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*** in Beacon Pointe's Form ADV disclosure brochure.

### Investing Involves Risk

All BPWA clients should understand that investing in securities involves risk of loss, and clients should be prepared to bear that risk. Prior to entering into a Managed Account Program agreement with BPWA, the client should carefully consider all of the following:

- The clients should commit to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of five to seven years,
- That volatility from investing in the stock market can occur, and
- That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested.

### Specific Security Risks

#### General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of the

securities held as underlying assets of the mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### *Independent Manager Strategies and Risks*

The Independent Managers BPWA recommends utilize their own investment process and methods of analysis. The strategies and securities these managers invest in may have different or additional risks than those described in this brochure. For example, while BPWA does not implement investment advice using margin transactions, some Independent Managers appointed by the client may utilize margin transactions in the discretionary management of client cash and securities. Use of margin can increase volatility and magnify any investment losses in a client's account. Clients can find more information about the strategies and related risks of the Independent Managers in ***Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss*** in each manager's Form ADV disclosure brochure.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include professional management, diversification, affordability, and liquidity. Mutual funds also have features that some investors might view as disadvantages:

#### **Costs Despite Negative Returns**

Mutual funds pay operating and other expenses from fund assets regardless of how the fund performs, which are indirectly charged to all holders of the mutual fund shares. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

#### **Lack of Control**

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

#### **Price Uncertainty**

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### Real Estate Investment Trusts (REIT)

Securities issued by real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values and liquidity of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### Private Funds

A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short. The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following:

1. Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.
2. Private funds are subject to various other risks, including risks associated with the types of securities in which the private fund invests

## **Allocation and Planning Tools**

The modeling tools used to create financial plans and asset allocations for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security

asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products.

Modeling software is only a tool used to help guide us when developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the software as disclosed on the analysis reports and should discuss the results of the plan with a qualified investment professional before making any changes in their investment or allocation program.

## **ITEM 9 - DISCIPLINARY INFORMATION**

BPWA and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. BPWA does not have any disciplinary information to disclose.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Related Investment Advisers**

#### **Beacon Pointe Advisors, LLC**

BPWA is a related person of Beacon Pointe Advisors, LLC ("Beacon Pointe"), an SEC registered investment adviser. Beacon Pointe Holdings, LLC is the majority shareholder of BPWA and Beacon Pointe. Beacon Pointe offers both investment and non-investment related consulting services and investment advisory services to institutional and individual clients. Beacon Pointe and BPWA share the same principal place of business and are under joint ownership and control.

BPWA has entered into an agreement with Beacon Pointe, through which Beacon Pointe provides various administrative, operational, and business services, including investment research, marketing, client service, compliance, and accounting.

### **Related Insurance Agency**

BPWA is a related person of Beacon Pointe Insurance Services, LLC ("BPIS"), a California licensed insurance agency. Certain of BPWA's personnel are licensed insurance agents of BPIS and may sell insurance products to advisory clients and then receive commissions on the sale of insurance products. The insurance commissions are separate from and in addition to any advisory fees that a client may pay to BPWA for investment advisory services. This has the potential to present a conflict of interest between BPWA and the client. Clients are under no obligation to act on our personnel's insurance recommendations or to effect the transactions through BPIS or our personnel if they decide to follow the recommendations. In all cases, BPWA will fully disclose insurance commissions to the client.

### **Agents of Unaffiliated Broker-Dealer**

Certain of BPWA's personnel are also licensed as registered representatives with Purshe Kaplan Sterling Investments ("PKS"), a broker-dealer member of FINRA/SIPC. BPWA is not affiliated with PKS. In their individual capacity as registered representatives, these individuals receive trailing compensation from

prior sales of securities and may also receive usual and customary commissions for sales of securities through PKS. Receipt of commissions for securities sales is a conflict of interest as it gives these registered representatives an incentive to recommend investment products based on the additional compensation received. BPWA's advisory clients are not charged both advisory fees and transaction related fees on investment products that these registered representatives recommend. When client portfolios hold securities for which related registered representatives receive commissions and/or trailing 12b-1 fees BPWA does not charge advisory fees on those securities.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

BPWA believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. BPWA's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

BPWA's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. BPWA's personnel are required to follow clear guidelines from the Code of Ethics, which require compliance with fiduciary duties, applicable securities laws, maintaining confidentiality of client nonpublic personal information, insider trading policies, and placing client's interests first. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

BPWA will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### **Personal Trading Practices**

BPWA and our personnel may purchase or sell securities for ourselves, regardless of whether the transaction would be appropriate for the client account. BPWA and our personnel may purchase or sell securities for ourselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

- Personal securities transactions will never adversely affect clients. BPWA will monitor trading activity of our personnel to confirm that the interests of clients come first, and that the trading activity complies with applicable securities laws. All securities transactions and holdings in any account of our personnel, including accounts for which the individual is considered a beneficial owner, are subject to review by BPWA.

- Conflicts of interest also may arise when BPWA's personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. BPWA's personnel are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.
- For the clients for which BPWA assigns a sub-adviser, BPWA's personnel does not have access to the transactions in client accounts until after the trades have been placed. Therefore, we cannot take advantage of client trades in accounts managed by sub-advisers.

## ITEM 12 - BROKERAGE PRACTICES

For client accounts in the Managed Account Program, we may recommend that clients maintain their assets through either Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC, or TD Ameritrade Institutional ("TDA Institutional"), a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. Both Schwab and TD Ameritrade are unaffiliated SEC-registered broker-dealers and FINRA (Financial Industry Regulatory Authority) member firms and are qualified custodians. They both offer services to independently registered investment advisors, which include custody of securities, trade execution, and clearance and settlement of transactions. We are independently owned and operated, and unaffiliated with either Schwab or TD Ameritrade.

### **Factors Considered in Selecting Broker-Dealers for Client Transactions**

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, their respective financial strength, reputation, execution, pricing, commissions for transactions, research, and service. Prior to engaging BPWA to provide asset management services under the Program, the client will be required to enter into a formal Managed Account Program agreement with BPWA setting forth the terms and conditions under which BPWA shall manage the client's assets. The client will also execute a brokerage/custodial/clearing agreement between the client and custodian.

Under certain circumstances for Managed Account Program clients, BPWA may have discretionary authority to determine the securities to buy and/or sell and the amount of such securities. In those circumstances, such securities will primarily be limited to various classes of shares of no-load mutual funds or ETFs. BPWA will generally execute such purchases or sales with Schwab or TD Ameritrade.

### **Research and Other Benefits**

BPWA participates in the TDA Institutional and Schwab Advisor Services™ (formerly called Schwab Institutional®) programs. TD Ameritrade and Schwab both offer services to independent investment advisors that include custody of securities, trade execution, clearance, and settlement of transactions. BPWA receives some benefits from TD Ameritrade and Schwab through its participation in these programs. The additional economic benefits received by BPWA or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab or TD Ameritrade.

The benefits that we receive from Schwab and/ or TD Ameritrade may or may not be offered to any other independent investment advisors participating in the program. The benefits provided allow us to

better monitor and service client accounts maintained at the respective broker-dealer/custodian. There is no direct link between our participation in these programs and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to Schwab and/or TD Ameritrade retail investors. Schwab and/or TD Ameritrade provide these benefits to BPWA in their sole discretion and at their own expense, and BPWA does not pay any fees to Schwab and/or TD Ameritrade for them. BPWA's receipt of these benefits raises potential conflicts of interest. BPWA's receipt of these benefits does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

BPWA participates in TDA Institutional and Schwab Advisor Services™ customer program and BPWA recommends TD Ameritrade or Schwab (collectively "Custodial Brokers") to clients for custody and brokerage services. There is no direct link between BPWA's participation in the programs and the investment advice we give to our clients, although BPWA receives economic benefits through our participation in the program that are typically not available to TD Ameritrade or Schwab retail investors.

The Custodial Broker's brokerage services include the execution of securities transactions, custody, research related products and tools, access to a trading desk serving BPWA participants; and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Specifically, BPWA is given access to mutual funds with no transaction fees and to certain institutional money managers.

The Custodial Brokers also make available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business.

Custodial Brokers generally do not charge separately for custody services. However, the Custodial Brokers do receive compensation by charging commissions or other fees on trades that they execute or that settle into clients' Custodial Brokers accounts. With respect to Schwab, these services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of BPWA's clients' assets are maintained in accounts at Schwab. This commitment benefits our clients because the overall commission rates clients pay are lower than they would be otherwise. The services and benefits received from TD Ameritrade are not contingent upon BPWA committing to TD Ameritrade any specific amount of business (assets in custody or trading commissions).

In addition to commissions, Custodial Brokers charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's brokerage account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have Custodial Brokers execute most trades for client accounts.

Custodial Brokers also make available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both the Custodial Broker's own research and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the Custodial Brokers. In addition to investment research, Custodial Brokers also make available software and other technology that:



1. Provide access to client account data (such as duplicate trade confirmations and account statements);
2. Access to an electronic communications network for client order entry and account information;
3. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
4. Provide pricing and other market data;
5. Provides ability to have advisory fees deducted directly from client accounts; and
6. Assist with back-office functions, recordkeeping, and client reporting.

These benefits provided by Custodial Brokers to BPWA may be provided without cost or at a discount. TD Ameritrade may also have paid for business consulting and professional services received by BPWA's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit BPWA but may not benefit our client accounts. These products or services may assist BPWA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. The benefits received by BPWA or our personnel through participation in the TDA Institutional program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, BPWA endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by BPWA or our related persons in and of itself creates a potential conflict of interest and may indirectly influence BPWA's choice of TD Ameritrade for custody and brokerage services.

The Custodial Brokers also offers other services intended to help us manage and further develop our business enterprise. These services may include:

1. Educational conferences and events;
2. Consulting services on various topics such as on technology, compliance, legal, and business needs;
3. Publications and conferences on practice management and business succession; and
4. Access to employee benefits providers, human capital consultants, and insurance providers.

Custodial Brokers may provide some of these services themselves. In other cases, Custodial Brokers may arrange for third-party vendors to provide the services to us. The Custodial Brokers may also discount or waive their fees for some of these services or pay all or a part of a third party vendor's fees. The third party vendors may include compliance, marketing, research, technology, and practice management products or other services provided to BPWA by third party vendors. The Custodial Brokers may also provide us with other benefits, such as occasional business entertainment of our personnel. By receiving additional services, BPWA will receive certain additional economic benefits, which may or may not be offered to any other independent advisor. In evaluating whether to recommend that clients custody their assets at a specific Custodial Broker, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely the nature, cost or quality of custody and brokerage services provided by Custodial Brokers, which may create a potential conflict of interest.

Clients should refer to the Independent Manager's ADV 2 Brochure for information regarding soft dollar benefits that Independent Managers may receive.



## Brokerage for Client Referrals

### *TD Ameritrade AdvisorDirect*

BPWA may receive client referrals from TD Ameritrade, Inc. ("TD Ameritrade") through its participation in TD Ameritrade AdvisorDirect program. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, BPWA may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of, and unaffiliated with, BPWA and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise BPWA and has no responsibility for BPWA's management of client portfolios or BPWA's other advice or services. BPWA pays TD Ameritrade an ongoing fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to BPWA ("Solicitation Fee"). BPWA will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by BPWA from any of a referred client's immediate family members, including a spouse, child or any other family member who resides with the referred client and hires BPWA on the recommendation of such referred client. BPWA will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to our clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

BPWA's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, BPWA may have an incentive to recommend to clients that the assets under management by BPWA be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, BPWA has agreed not to solicit clients referred through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when fiduciary duties require doing so. BPWA's participation in AdvisorDirect does not diminish our duty to act in the best interests of our clients and seek best execution of trades for client accounts.

### Directed Brokerage

BPWA generally recommends that Schwab or TD Ameritrade serve as the broker-dealer/custodian for fee-based clients' accounts under the Managed Account Program. Under limited circumstances, BPWA may permit clients to appoint which broker-dealer to execute securities transactions for client accounts in which BPWA has discretionary authority ("Directed Brokerage"). If the client elects to direct brokerage transactions to a particular broker-dealer, BPWA will not negotiate specific brokerage commission rates with the broker on the client's behalf, and BPWA may not be able to obtain the best execution for that client. Further, a client that directs brokerage may pay higher commissions than otherwise charged by another broker or dealer.

When clients elect to have their assets managed by an investment manager other than BPWA, clients may instruct the investment manager to direct trades through third party commission recapture programs.

BPWA does not recommend initial public offerings (“IPOs”) to clients. However, BPWA may when consistent with a client’s investment objectives and restrictions, and when specifically requested by a client, seek to purchase on behalf of the client the requested security in an IPO for the client’s account. We require that the client initiate such requests. BPWA will not seek to obtain shares for clients who do not initiate such a request. If a client seeks to purchase an IPO BPWA will not give advice on that purchase and if a client purchases an IPO BPWA will not manage that security.

### **Aggregation and Allocation of Transactions**

Typically, either BPWA or Independent Managers will effect transactions for each client. Clients should review the Independent Manager’s Form ADV 2 Brochure for information regarding their policies with respect to order aggregation and allocation of transactions.

When BPWA effects transactions for clients, BPWA may recommend the purchase or sale of the same security for multiple clients at the same time. In those cases, BPWA may combine purchase and sale orders for all clients with the same order. If we do combine orders for clients we will generally allocate the proceeds arising out of those transactions (and related transactions expenses, if applicable) on an average price basis among the various participants in the transactions. We believe that by combining orders in this way it will be advantageous to all participants. However, the average price could be less advantageous to a particular client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants.

We may also place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order, and practicability of participating in “block” transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. There are circumstances when some of a client’s transactions in the security may not be aggregated with other clients. We have adopted policies and procedures intended to ensure that our trading allocations are fair to all of our clients.

### **Trading Practices of Independent Managers**

Accounts managed within the Management Account Program will be managed by independent managers who may have different policies than those adopted by BPWA when managing client accounts. BPWA recommends that clients in the program review the independent managers’ ADV 2 Brochures.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Account Reviews**

For accounts under the Managed Account Program, the primary consultant/adviser assigned to the account reviews accounts quarterly. Account reviews typically consider account performance, asset allocation, and overall portfolio construction. In addition, the adviser’s supervisor also oversees client accounts. Clients are encouraged to meet with BPWA on at least an annual basis to review any changes to investment objectives, account performance, and financial planning issues.

## Account Reporting

All Managed Account Program clients receive monthly reports from their custodian(s) regarding their assets showing the portfolio inventory and transactions during that period. Typically, Beacon Pointe will provide written reports quarterly to clients showing investment results, including time-weighted returns and performance against the applicable benchmarks. Consulting clients where BPWA provides ongoing investment supervision generally receive quarterly reports that contain at least the same information as Managed Account Program reports.

## Financial Plan Reviews

Financial plans are prepared by BPWA. A Managing Director and/or Vice-President at BPWA will review financial plans on an as needed basis upon request of the client. For clients for whom we have prepared financial plans, we generally contact clients every few years to discuss any changes in the client's circumstances and necessary updates to the financial plan.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

### Benefits We Receive from Custodial Brokers

We receive an economic benefit from Schwab and TD Ameritrade in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts in their custody. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). The availability of custodial brokers' products and services to use is not based on us giving particular investment advice, such as buying particular securities for our clients.

### Payment for Client Referrals

If an unaffiliated or an affiliated solicitor introduces a client to BPWA, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. If an unaffiliated solicitor introduces a client to BPWA, that solicitor will disclose the nature of the solicitor relationship with BPWA at the time of the solicitation. In addition, the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between BPWA and the solicitor, including the compensation that BPWA pays the solicitor and whether or not the client is paying higher fees to BPWA as a result of the solicitation. Any affiliated solicitor of BPWA will disclose the nature of the relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this brochure.

For more information on client referrals and solicitation arrangements, see disclosure above under **Brokerage for Client Referrals** under **Item 12 – Brokerage Practices** section.

## ITEM 15 - CUSTODY

BPWA has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds the clients' funds and securities.

Clients will receive statements directly from the qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of BPWA's fee. Clients should carefully review the account statements they receive from your qualified custodian. When clients receive statements from BPWA as well as from their qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

## ITEM 16 - INVESTMENT DISCRETION

For all clients under managed account advisory agreements, BPWA has full discretion to select, change, and remove Independent Managers for the client's account. When BPWA manages accounts directly using mutual funds or other securities, we have discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. BPWA will generally not contact clients before making changes to the Independent Managers or placing trades in their account. Certain securities, including private funds, may require the client's written agreement to participate in the investment. Independent Managers investing client assets will also have full discretionary authority over the portion of the client's account they manage.

Clients will receive confirmations directly from the broker for any trades placed. Clients grant BPWA discretionary authority in the contracts they sign with us. Clients also give BPWA or the Independent Managers trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit BPWA's discretionary authority, such as where the client places restrictions on the account investments or directs BPWA to execute transactions through specific broker-dealers. See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item – 12 Brokerage Practices**, above.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

Unless otherwise requested by a client, BPWA will be responsible for voting proxies for securities held in certain clients' accounts where BPWA was responsible for selecting the investment. The appointed Independent Managers are responsible for voting proxies for securities selected by the Independent Manager that are held in clients' accounts. In cases where BPWA is responsible for voting proxies, we have delegated this authority to our affiliate Beacon Pointe.

For information regarding proxies voted by either Beacon Pointe or the Independent Managers, clients should refer to Beacon Pointe and/or the Independent Manager's ADV 2 Brochure.

### Class Actions

A securities "class action" lawsuit is a civil suit brought by one or more individuals ("Plaintiffs") on behalf of themselves and others who have the same grievance against the issuer of a certain security. When a class action is filed, a written notice of filing and/or settlement is prepared (the "Notice"), which outlines the reasons for the lawsuit, the parameters for qualification as a member of the class and certain legal rights that need to be considered before becoming a member of the class (i.e. participating in the

settlement). In addition, the Notice will contain instructions issued by the court or broker/dealers and/or other nominees (e.g. custodians) who receive the Notice and who hold the security on behalf of the owner/beneficiary, to either (1) provide the Claims Administrator (usually the attorney for the Plaintiffs) with the name and address of each such owner/beneficiary so the Claims Administrator can send the Notice directly to such owner/beneficiary, or (2) request additional copies of the Notice and send the Notice directly to the owner/beneficiary.

In cases where clients request BPWA to file class actions on their behalf, we have delegated this authority to our affiliate Beacon Pointe. Beacon Pointe has selected an unaffiliated third party vendor to provide class action litigation monitoring and securities claim filing services on behalf of clients. This vendor will monitor for class actions for which our clients may be eligible. Upon learning of any such class actions the vendor will collect the applicable documentation, interpret the terms of each settlement, file the appropriate claim form, interact with the administrators and distribute the award to applicable clients. The vendor charges clients a contingency fee which is subtracted from the award at the time of payment. Clients may opt-out entirely or may list specific companies against which claims should not be filed on their behalf. Clients may change their opt-out election at any time by notifying BPWA in writing. Because BPWA provides this service to our clients through a third party vendor, we will not monitor class action suits or process any claim forms on clients' behalf, whether or not they opt-out of this service. If a client chooses to opt-out, the vendor also will not monitor any class action suits from which the client may be entitled to awards, and the vendor will not process any claim forms on the client's behalf. Clients who opt-out are entitled to pursue securities claims themselves.

## ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. BPWA does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.