

## Item 1 – Cover Page



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

## Arista Wealth Management, LLC

SEC File Number: 801-78190

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Suite 200  
Las Vegas, NV 89145

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### Brochure

Dated July 1, 2015

This brochure provides information about the qualifications and business practices of Arista Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 702-309-9970 or [compliance@aristawealth.com](mailto:compliance@aristawealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Arista Wealth Management, LLC also is 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 141504.

## **Item 2 – Material Changes**

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.

Arista Wealth Management, LLC reviews and updates our brochure at least annually to make sure that it remains current. We have made the following material changes since the last annual update to this brochure, dated January 1, 2015:

Arista Wealth Management, LLC now participates in TD Ameritrade's AdvisorDirect Program. Please see Items 12 and 14 for details.

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

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## **Item 4 – Advisory Business**

Arista Wealth Management, LLC (“AWM”) was established in 2006 to provide financial planning and investment management services to clients. AWM’s mission is to create a clear financial strategy based on our client’s hopes, dreams and desires.

AWM’s principal place of business is:

10091 Park Run Drive  
Suite 200  
Las Vegas, NV 89145

Satellite office location(s):

2812 N. Norwalk  
Suite 116  
Mesa, AZ 85215

Listed below are the firm's principal shareholders (Those individuals and/or entities controlling 25% or more of this company).

- Paul L. Moffat, AIF®  
Founder and President

In addition, the following information identifies individuals and/or intermediate subsidiaries that indirectly own 25% or more of our firm:

- Paul L. Moffat and Kathryn L. Moffat Living Trust

AWM follows a process of educating the client, evaluating client goals and then developing the appropriate financial strategies to meet client needs. We offer assistance with implementing and monitoring client strategies to assess effectiveness towards achieving current and future client goals.

AWM offers the following advisory services to our clients:

### **General Description of Primary Advisory Services**

We offer financial planning services and investment management services, and the following are brief descriptions of our primary services:

#### **Financial Planning Services**

We provide financial planning and personalized wealth consulting services. Financial planning can be a limited engagement to assess, review or make recommendations on a specific issue. Financial planning can also be a comprehensive evaluation process in which numerous strategic recommendations are given. These recommendations may be applicable to the client’s current and/or assumed future financial state. Variables based on the client’s situation as well as historical and current market conditions may be used to project estimates of future cash flows, asset values and withdrawal strategies. Throughout the financial planning process, relevant client information and projections are considered.

We gather required information through in-depth personal interviews. Information gathered includes the client’s current financial status, future goals, return objectives and attitudes towards risk. We carefully review documents supplied by the client and we then prepare recommendations.

## **Investment Supervisory Services (“ISS”)**

### **Individual Portfolio Management**

Our firm provides continuous advice to clients regarding the investment of their funds based on their individual needs. Through a financial planning process that includes personal discussions in which goals and objectives are established. We develop a personal investment policy to manage a portfolio based on that policy. During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client’s prior investment history, as well as family composition and background.

Our investment recommendations are not limited to any specific product or service offered and will generally include advice regarding the following securities:

- Exchange-listed securities
- Foreign issuers
- Certificates of deposit
- Variable life insurance
- Mutual fund shares
- Options contracts on securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Variable annuities
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will be implemented/recommended when consistent with the client’s stated investment objectives, tolerance for risk, liquidity and suitability.

### **Insurance**

Our services are always provided based on the specific needs of the individual client. We may consult on a fully disclosed basis the purchase of certain insurance-related product(s). Clients are under no obligation to purchase insurance-related products through related persons of the firm.

### **Retirement Consulting Services**

We also provide several advisory services separately or in combination. While the primary clients for these will be profit-sharing, defined benefit and cash balance plans, pensions, and 401(k) plans. We offer these services, where appropriate, to individuals and trusts, 457(b), 403(b), unions and charitable organizations. Retirement consulting is comprised of four distinct services.

*Investment Policy Statement Preparation (referred as “IPS”):*

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor’s and/or client’s stated investment objectives for management of the overall plan or portfolio. AWM 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 interval 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 (both index and managed) 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 outlined in the Investment Policy Statement. 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 profit-sharing, pension, and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we provide as often as quarterly educational support and investment workshops. 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). Except for the educational support services, the available services are considered fiduciary services. AWM is acting as an appointed fiduciary of the Plan under Sections §3(21) and §3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and under the Investment Advisors Act of 1940 (the "Act").

In addition to our four distinct services offered, we conduct and facilitate full fiduciary reviews and plan audits. We may also utilize services offered by various administrative service providers or resources for retirement plan proposals.

### **Trade Error Policy**

Should they occur, losses resulting from the firm's trade errors shall be reimbursed by the firm. The firm shall not credit accounts for such errors resulting in market gains. Depending on the custodian, the gains and losses may be reconciled within the firm's custodian account or they may be donated to charity. While AWM does not receive any net benefit, if the custodian allows for the gains to be maintained in the firm's error account, AWM may retain the net gains to be used against any future trade errors that may occur.

### **Client Obligations**

In performing its services, AWM shall not be required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify us if there is ever any change in the client's financial situation or investment objectives during the client engagement.

### **Disclosure Statement**

A copy of AWM's written brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the Advisory Agreement. Any client who has not received a copy of AWM's written brochure at least 48 hours prior to executing the Advisory Agreement shall have five business days subsequent to executing the agreement to terminate the AWM's services without penalty.

### **Our Policies on Class Action, Bankruptcies, and Other Legal Proceedings**

Clients should note that AWM will not advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us, if documents have been received by us, to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

### **Non-Participation in Wrap Fee Programs**

As a matter of policy and practice, we do not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

### **AMOUNT OF MANAGED ASSETS**

As of December 31, 2014, we actively manage \$244,033,716 of client assets - \$145,685,905 on a discretionary basis and \$98,347,811 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Financial Planning Fees**

AWM's Financial Planning fees are determined based on the level of the services being provided and the complexity of each client's circumstances. Generally, fees start at \$5,000 and will vary commensurate with the scope of the subject(s) to be covered. All financial planning fees are negotiable and agreed upon prior to entering into a contract with a 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 plan.

### **Investment Supervisory Services ("ISS") Individual Portfolio Management Fees**

Our fees for Investment Supervisory Services shall not exceed 1.50%. We retain the discretion to negotiate fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. Circumstances considered may include the complexity of the client, assets under management, related accounts, future additional assets, and account composition along with other factors. The specific fee schedule will be outlined and identified in the Investment Advisory Agreement. Fees are billed quarterly in advance. Fees are calculated based upon the value of assets under management on the last day of the previous quarter. Fees will be debited from the account in accordance with client authorization stated in the Investment Advisory Agreement.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the fee schedule. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## Investment Supervisory Services (“ISS”)

### Independent Asset Manager Fees

If a client account utilizes sub-management, contractually, we are billed by the selected asset manager(s), based on a percentage of the client's assets under management with that manager. Accordingly, our fees, which typically range from .75% to 1.50% depending on the size of the account, are in addition to any fees billed by the selected asset manager(s). For accounts that include the Swan Wealth Advisor fee, which is .75%, this fee is in addition to our fee. Fees for those accounts that are sub-advised by Swan Wealth Advisors, the fee is based on an annualized percentage of net liquidation value applied on a daily basis and apportioned by 252 days.

AWM does not control the fees or the billing arrangements of any selected asset manager. For a complete description of the fee arrangement including billing practices, minimum account requirements and account termination provisions, clients will review the independent asset manager's Firm Brochure or other disclosure document.

### Insurance

For insurance clients, the fees includes a referral fee and ongoing monthly consulting and service fees which are billed monthly or quarterly.

### Retirement Consulting Fees

Fees for Retirement Consulting services are based on a percentage of assets under advisement, according to the following fee schedule:

Assets Under Management	Annual Fee
Up to \$499,999	1.50%
\$500,000 to \$999,999	1.25%
\$1,000,000 to \$9,999,999	1.00%
\$10,000,000 and Greater	Negotiable

Retirement Plans are billed monthly or quarterly in arrears determined by the Investment Management Agreement. Additional fees that may be assessed are a non-refundable one-time implementation fee and a fiduciary plan audit review fee.

## GENERAL INFORMATION

**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 are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to AWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. Accordingly, the client should review both the fees charged by the

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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.

**Margin Transactions:** Based on the strategy that utilizes margin transactions, additional fees may be assessed, ranging up to double the advisor fees. When the margin transaction is no longer utilized it will revert back to the client's fee schedule.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to AWM's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** AWM is deemed to be a fiduciary to advisory clients that are qualified retirement benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, AWM may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset AWM's advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may be available from other registered investment advisers for similar or lower fees.

**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.

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

AWM does not charge performance-based fees.

## Item 7 – Types of Clients

AWM provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses not listed above
- Unions/Church
- Non-profit

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

### METHODS OF ANALYSIS

AWM uses several methods of analysis as well as research produced by other firms and academics. Some of the methods of analysis used both by us and our research sources are technical analysis, fundamental analysis, modern portfolio theory, charting, asset correlation and academic based financial research. All research and analysis techniques are an attempt to look for persistent historical patterns that can be used to guide current decisions. We continually evaluate our investment strategies against the most current research data available to us as we work to improve our portfolios and financial strategies. Historical guidance is helpful but historical technical patterns are not guaranteed to repeat. The future is not predictable therefore clients must be prepared to bear the risk of loss that is present with any investment strategy.

**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 strategy(ies) 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 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 advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Margin transactions:** We may purchase holdings for your portfolio with money borrowed from your brokerage account. This allows you to purchase more holdings than you would be able with your available cash and allows us to purchase holdings without selling other holdings.

**Option writing:** In such cases, the clients will be referred to an independent asset manager.

**DFA Funds (Dimensional)/Vanguard.** Within the context of an asset allocation strategy, we largely employ a passive, index approach to investing. Our bias towards index investments ensures our clients achieve the returns afforded by the capital markets. When compared to active management strategies, an index approach delivers superior long-term performance, minimizes the risk of underperformance and, because of its buy-and-hold nature, is inherently more tax efficient.

***Risk of Loss:*** Investing in securities involves a risk of loss that clients should be prepared to bear, including loss of original principal. Past performance is not necessarily indicative of future results, therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. We ask that clients work with us to help us understand their 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**

Clients should be aware that the receipt of additional compensation by AWM and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. AWM endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's 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 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 by our firm; 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.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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.

AWM and our personnel owe a duty of loyalty, fairness and good faith towards 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 policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports, which must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

AWM's Code of Ethics further 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.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [compliance@aristawealth.com](mailto:compliance@aristawealth.com), or by calling us at 702-309-9970.

AWM and individuals associated with our firm are prohibited from engaging in principal transactions and agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security/securities, which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

## **Item 12 – Brokerage Practices**

AWM does not have any soft-dollar arrangements but may receive soft-dollar benefits. Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As a matter of policy and practice, AWM does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

AWM has arrangements with National Financial Services, LLC also known as Fidelity Brokerage Services, LLC (“Fidelity”) along with Charles Schwab and Co., Inc. (“Charles Schwab”), TD Ameritrade, Scottrade, and Interactive Brokers through which each custodian 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 AWM in conducting business and in serving the best interests of our clients but that may also benefit us. AWM is not affiliated with any custodian or broker-dealer.

AWM participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14 below.)

Each custodian 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). Each custodian enables AWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Each custodian’s commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by each custodian may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, each custodian also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by each custodian directly from independent research companies, as selected by AWM (within specified parameters).

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 each custodian’s services. We examined this potential conflict of interest when we chose to enter into the relationship with each custodian and have determined that the relationship is in the best interests of AWM’s clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than other RIA firms qualified custodian 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 RIA services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while AWM 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.

## **Item 13 – Review of Accounts**

### **Investment Supervisory Services (“ISS”) Individual Portfolio Management**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least semi-annually. Accounts are reviewed in the context of each client’s stated investment objectives and guidelines. 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:

- Paul L. Moffat, AIF®
- Scott J. Johnson, CFP®, QPFC, AIF®
- Michael D. Nestman, AIF®

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive directly from their custodian, we can provide quarterly reports summarizing account performance, balances and holdings upon request.

### **Retirement Consulting Services**

**REVIEWS:** AWM will review the Retirement plan's Investment Policy Statement (IPS) whenever the plan advises us of a change in circumstances regarding their needs. AWM 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:

- Paul L. Moffat, AIF®
- Scott J. Johnson, CFP®, QPFC, AIF®
- Michael D. Nestman, AIF®

**REPORTS:** AWM will provide reports to Retirement Plans based on the terms set forth in the Investment Policy Statement (IPS).

### **Financial Planning Services**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

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

AWM may receive referral fees for client referrals. AWM will enter into an agreement with the referring individual and/or firm and this agreement is fully disclosed to the client when this situation arises. Referral fees paid to AWM does not affect the client's advisory fees.

AWM may compensate an individual and/or firm for client referrals. AWM will enter into an agreement with the licensed individual or firm and remit a portion of its advisory fees for referrals. This arrangement is fully explained to the client when this situation arises. AWM client advisory fees are not affected by the referral fees paid to the individual or firm. All solicitors who refer clients will comply with the requirements of the jurisdiction where they operate. When applicable, the solicitor will be licensed as investment advisor(s) or notice filed in the applicable jurisdiction.

It is AWM's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

As disclosed under Item 12 above, AWM participates in TD Ameritrade's institutional customer program and AWM may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between AWM's participation in the program and the investment advice it gives to its Clients, although AWM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services received by AWM third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by AWM's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit AWM but may not benefit its Client accounts. These products or services may assist AWM in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help AWM manage and further develop its business enterprise. The benefits received by AWM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, AWM endeavors at all times to put the interest of its clients first. Clients should be aware, however, that the receipt of economic benefits by AWM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence AWM's choice of TD Ameritrade for custody and brokerage services.

AWM may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, AWM 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 AWM and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect 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 AWM and has no responsibility for AWM's management of client portfolios or AWM's other advice or services. AWM pays TD Ameritrade an on-going 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 AWM ("Solicitation Fee"). AWM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by AWM from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired AWM on the recommendation of such referred client. AWM will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its 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.

AWM'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, AWM may have an incentive to recommend to clients that the assets under management by AWM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, AWM has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. AWM's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for clients.

## **Item 15 – Custody**

We previously disclosed in the "Fees and Compensation" section (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.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 – Investment Discretion**

Clients give AWM discretionary authority when they sign our Investment Advisory Agreement. Clients may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Our discretionary authority allows AWM to place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. AWM's discretionary authority also includes:

- Determining the security to buy or sell
- Determining the amount of the security to buy or sell

Some clients may choose to engage AWM to manage securities on a non-discretionary basis. If AWM receives non-discretionary authority from the client, AWM will select the identity and amount of securities to be bought or sold, but must receive approval from the client prior to placing any trades in the client's account. Please be advised that as a result, until AWM reaches the client, no transactions will be placed in any client accounts.

## **Item 17 – Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 – Financial Information**

AWM has no additional and no financial circumstances to report. 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.

The firm has not been the subject of a bankruptcy petition at any time during the past ten years.