



CONSTELLATION  
WEALTH ADVISORS LLC  
Member FINRA/SIPC

## ***ADVISOR BROCHURE***

### **CONSTELLATION WEALTH ADVISORS LLC**

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March 31, 2015

This Brochure provides information about the qualifications and business practices of Constellation Wealth Advisors LLC. If you have any questions about the contents of this Brochure, please contact us at (212) 697-0500 and [Compliance@cwallc.com](mailto:Compliance@cwallc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Constellation Wealth Advisors LLC is an investment adviser registered with the United States Securities and Exchange Commission. Registration with the Securities and Exchange Commission does not imply any level of skill or training.

Additional information about Constellation Wealth Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Constellation Wealth Advisors LLC's SEC Registration No. 801-67762 and CRD No. 142502.

## **Item 2**    **Material Changes**

This Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' December fiscal year-end.

We will also provide you with other ongoing disclosure information about material changes as needed, and with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting our Chief Compliance Officer ("CCO") at (212) 697-4900 or [Compliance@cwallc.com](mailto:Compliance@cwallc.com). Our Brochure is also available on our web site [www.cwallc.com](http://www.cwallc.com).

Additional information about Constellation Wealth Advisors LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As of March 31, 2015 Constellation Wealth Advisors LLC has the following material changes to report:

As of January 14, 2015, Robert Gorczakowski assumed the role of Chief Compliance Officer.

Constellation Strategic Opportunity Fund LP ("CSOF") ceased trading as of December 31, 2014 and the process of winding down the General Partner of CSOF commenced.

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#### **Item 4    Advisory Business**

Constellation Wealth Advisors LLC (the “Adviser”, “CWA” or “we”) is a Delaware Limited Liability Company with its principal place of business in New York, New York and Menlo Park, California. The Adviser commenced operations in 2007 and has been registered as an investment adviser with the SEC since April 2007. The Adviser is an independent Adviser formed by partners with extensive experience in the financial industry.

The Adviser is also registered as a securities broker-dealer with the Securities and Exchange Commission (“SEC”), a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”), and the National Futures Association (“NFA”). The Adviser is also registered as a broker-dealer with those state securities authorities where it services clients and is not otherwise exempt from such registration. The Adviser utilizes Constellation Wealth Insurance Services for the sale and offering of Insurance Products in certain states.

Constellation Wealth Advisors LLC is a wholly owned subsidiary of CWA Holdings LLC.

#### **CWA Holdings LLC**

In addition, Mr. Tramontano, Mr. Goldstein and Mr. Katzman are indirect owners of Constellation Wealth Advisors LLC due to their ownership interests in CWA Holdings LLC:

#### **Paul Tramontano, Co-Chief Executive Officer (“Co-CEO”)**

Mr. Tramontano, born in 1961, is a founding member of CWA and the Co-CEO. Mr. Tramontano has oversight and management responsibilities with respect to CWA’s investment advisory and broker-dealer business activities. Mr. Tramontano has been associated with CWA since April 2007. In addition to his responsibilities of running CWA, Mr. Tramontano has client responsibilities and is a member of the Investment Committee. Mr. Tramontano is registered in the following capacities:

- FINRA Series 7, General Securities Registered Representative
- FINRA Series 4, Registered Options Principal
- FINRA Series 24, General Securities Principal
- FINRA Series 8, General Securities Sales Supervisor
  
- NFA Series 3, National Commodity Futures Examination
  
- MSRB Series 53, Municipal Securities Principal
  
- NASAA<sup>1</sup> Series 63, Uniform Securities Agent State Law

#### **Jon Goldstein, Co-Chief Executive Officer (“Co-CEO”)**

Mr. Goldstein, born in 1960, is CWA’s Co-CEO. Mr. Goldstein is responsible for managing CWA’s West Coast operations as well as overseeing the research team. Mr. Goldstein has oversight and management responsibilities with respect to CWA’s investment advisory and broker-dealer business

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<sup>1</sup> North American Securities Administrators Association, Inc. (“NASAA”) is the organization of state securities administrators, and it licenses individuals and firms on the state level.

activities. Mr. Goldstein has been associated with CWA since March 2008. In addition to his client responsibilities, he is a member of the Investment Committee.

Mr. Goldstein is registered in the following capacities:

- FINRA Series 7, General Securities Registered Representative
- FINRA Series 24, General Securities Principal
- NFA Series 3, National Commodity Futures Examination
- NASAA Series 63, Uniform Securities Agent State Law
- NASAA Series 65, Uniform Investment Adviser Law

**Sam Katzman, Chief Investment Officer (“CIO”)**

Mr. Katzman, born in 1962, is a founding member of CWA and the CIO. Mr. Katzman has oversight and management responsibilities with respect to CWA’s investment advisory business activities and is also involved with its broker-dealer activities. Mr. Katzman has been associated with CWA since April 2007.

Mr. Katzman is registered in the following capacities:

- FINRA Series 7, General Securities Registered Representative
- FINRA Series 24, General Securities Principal
- NASAA Series 63, Uniform Securities Agent State Law

**Robert M. Gorczakowski, Chief Financial Officer (“CFO”) & Chief Compliance Officer (“CCO”)**

Mr. Gorczakowski, born in 1959, is CWA’s CFO and CCO. Mr. Gorczakowski has supervisory and management responsibilities with respect to CWA’s investment advisory and broker-dealer business activities as well as oversight of the Compliance Program. Mr. Gorczakowski has been associated with CWA since December 2008.

Mr. Gorczakowski is registered in the following capacities:

- FINRA Series 7, General Securities Registered Representative
- FINRA Series 24, General Securities Principal
- FINRA Series 27, Financial and Operations Principal

**ADVISORY SERVICES OVERVIEW**

The Adviser provides advice regarding the investment of client funds based on the individual needs of the client. Goals and objectives of a client are established through personal discussions. Based on the discussions, general data gathering and a client’s particular circumstances, we develop a client’s personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we generally determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also may review and discuss a client’s prior

investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., aggressive, moderate, conservative and preservation of capital), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

## **ADVISORY PROGRAMS**

The Adviser offers a variety of investment management services to its clients, some of which are structured through a single asset based fee covering the Adviser's advisory services as well as related trade and execution services. A brief description of these "Wrap-Fee Programs" ("Investment Management Programs") is provided below. For a full description of these Investment Management Programs, including the services provided, please see the Adviser's brochure which is included as Appendix 1 to this Form ADV Part 2A ("Appendix 1"). A summary of the available Investment Management Programs follows:

### **Independent Advisor Program**

The Adviser manages client accounts, on a discretionary basis, through the engagement of third-party asset managers who, in turn, manage client accounts again, on a discretionary basis. As part of this Independent Advisor Program, generally client accounts may be maintained away from the Adviser, at broker-dealers (including, but not limited to, Schwab Institutional, a division of Charles Schwab & Co.), with whom the third-party asset manager(s) has/have established arrangements. Under these arrangements, the possibility exists that certain additional charges may be assessed to the client and will be fully disclosed prior to entering into any agreement. In certain circumstances, the Adviser may also provide custody, execution (through its clearing firm Pershing LLC) and related services to clients for a single asset-based fee.

All of the Adviser's Investment Management Programs, including the Independent Advisor Program, are designed to assist clients in developing and implementing a reasoned, systematic, long-term investment strategy tailored to each client's financial circumstances. The Adviser's financial advisers will assist clients in evaluating their investment objectives and risk tolerances so that they can then invest in a variety of investment products through the development of an investment proposal for each client and by providing investment advisory services to each client on an on-going basis. Under certain circumstances, the Adviser may recommend a separate custodian for the client, and, therefore may subject them to separate fees for these services.

Based on client needs, from time to time, the Adviser may create discretionary asset accounts employing various investment strategies tailored to their goals and objectives.

The minimum account size for participation in the Independent Advisor Program is \$5,000,000; however, the Adviser, in its sole discretion, may accept smaller client accounts for participation in this Program. Note, certain asset managers and investment styles may require different minimums.

The Adviser also offers clients the option to participate in the following programs:

### **Asset Management Program**

The Adviser and its financial advisers offer discretionary, individualized asset management services to clients. The minimum account size for participation in the Asset Management Program is \$5,000,000, although smaller accounts may, in the sole discretion of the Adviser, be accepted for participation in the Asset Management Program.

The Asset Management Program is managed, administered and overseen by the Adviser and its staff. Client accounts are managed by the Adviser's financial advisers and portfolio managers. The Adviser's financial advisers assist clients in determining investment objectives and then manage each client's account on a discretionary basis in a manner consistent with those objectives.

In managing client accounts, the financial adviser is subject to certain guidelines established by the Asset Management Program relating to economic sector and security diversification, approval of securities including stocks, bonds, mutual funds, foreign currency, listed securities and Exchange Traded Funds ("ETFs"), which may be purchased for client accounts.

The Adviser's financial advisers managing client assets under the Asset Management Program will utilize a variety of investment strategies, in their discretion, based upon a number of factors including client investment objectives, risk tolerance and amount of assets under management.

All of the Adviser's investment programs, including the Asset Management Program are designed to assist clients in developing and implementing a reasoned, systematic, long-term investment strategy tailored to each client's financial circumstances. The Adviser's financial advisers will assist clients in evaluating their investment objectives and risk tolerances so that they can then invest in a variety of investment products through the development of an investment proposal for each client and by providing investment advisory services to each client on an on-going basis.

In certain circumstances, client accounts invested in the Asset Management Program are maintained and custodied at Charles Schwab & Co. or other independent and non-affiliated firms. The Adviser will make every reasonable attempt to execute all transactions for all clients as contemporaneously as possible. Generally, all trades for client accounts are executed with the custodian of the client firm account. On occasion the Adviser may execute a trade for a client with a broker other than the custodian.

Investment strategies may include any of the following for client accounts managed in this Program:

### **Constellation Dividend Growth: GIPS® Verified Strategy<sup>2</sup>**

Constellation Dividend Growth is a diversified portfolio of equities (and at times other securities) that generally pays a dividend and has the potential to increase that dividend over time. The focus for this portfolio is generally on the following types of companies:

- Companies which currently pay dividends and have a strong record of dividend growth over their recent history.

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<sup>2</sup> Global Investment Performance Standards (GIPS®) are a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients. GIPS® is not affiliated with Constellation Wealth Advisors LLC. GIPS report is available upon request.

- Companies that generate strong and consistent cash flows but currently may have low distributions to shareholders.
- Special situations which include companies that have higher yields but have not recently increased their distributions (or at times, companies that have no dividends currently). These companies may be in a potential turnaround situation.

The majority of equities in the dividend-oriented portfolio will be considered large and mid-capitalization equities, and will be diversified among industries to reduce risk. We intend to hold approximately thirty to forty positions under this strategy (but could vary over time as opportunities permit) to provide additional diversification. The portfolio has the flexibility to use other securities in addition to equities such as ETFs, bonds, convertible debt and preferred stocks when the opportunity arises. The Constellation Balanced Dividend Portfolio is available to accommodate investors who seek fixed-income exposure as it is structured with approximately fifty percent of Constellation Dividend Growth with the remainder being invested in fixed-income securities consisting primarily of municipals and corporate debt.

#### Global Equity Portfolio: GIPS® Verified Strategy

The Global Equity Portfolio is a globally diversified portfolio managed by the Adviser comprised of principally Mutual Funds and ETFs. The portfolio seeks to achieve capital appreciation over a market cycle. A portion of the portfolio is dedicated to core investment themes, which will generally have a long-term bias and likely will focus on equity market exposure. These core investments will be selected with an intended holding period of two years or more. A portion of the portfolio is dedicated to tactical, or opportunistic, investment themes, which will vary over time. The intended holding period for such investments will generally be shorter than the core themes. This portion of the portfolio will generally evaluate investments that are non-equity oriented, such as fixed-income securities or commodities. It may also explore market sector exposures, regional and geographical concentrated investments, short trading vehicles, or hold cash balances strategically. The Global Equity Index Portfolio is available to accommodate clients who seek global equity exposure using passive vehicles. The Constellation Balanced Global Portfolio is available to accommodate clients who seek global equity exposure and fixed-income exposure in one account. It is structured with a portion of the account managed under the guidelines of Global Equity Portfolio and the remainder being invested in fixed-income securities comprised generally of municipals and corporate debt.

#### Domestic Small Cap Equity Portfolio:

The Domestic Small Cap Equity Portfolio is designed to provide equity exposure within smaller capitalization U.S. based companies. The portfolio seeks to outperform its passive index benchmark over a complete market cycle. A mix of positive and active vehicles may be used. The Portfolio will be allocated among value and growth styles based on the relative merits of each at any given time.

#### International Equity Portfolio:

The International Equity Portfolio is designed to provide equity exposure in markets outside of the United States. The portfolio seeks to outperform its passive index benchmark over a complete market cycle. The portfolio weights its allocation between emerging and developed international markets based on the relative merits of each at any given time. The portfolio also balances its weightings among



market capitalization profiles realizing that some of the smaller market cap stocks may better isolate exposure to growth rates within the country of domicile

### Strategic Income Portfolio: GIPS® Verified Strategy

The Strategic Income Portfolio is a diversified portfolio of fixed income mutual funds and ETFs managed by the Adviser. The portfolio seeks to balance capital preservation with delivering portfolio income. A portion of the portfolio is dedicated to core investment themes, which will generally have a long-term bias and achieve broad exposure to the fixed income markets. A portion of the portfolio is dedicated to tactical, or opportunistic, investment themes, which will vary over time. The intended holding period for such investments will be shorter than the core themes. This portfolio will evaluate investments that are non-core fixed income oriented. It may also explore market sector exposures, regional and geographical concentrated investments, short trading vehicles, alternative strategies, or hold cash balances strategically.

### Global Alternatives Portfolio: GIPS® Verified Strategy

The Global Alternatives Portfolio is a diversified portfolio of non-traditional strategies traded in a mutual fund or ETF format. The portfolio seeks to achieve capital appreciation with an emphasis on reducing volatility over a market cycle. The portfolio is dedicated to tactical, or opportunistic, investment themes, which will vary over time. The portfolio will generally evaluate investments that pursue non-traditional equity oriented strategies, which may allow the underlying mutual fund managers to be both long and short simultaneously while maintaining daily liquidity. It may also explore market sector exposures, regional and geographical concentrated investments, short trading vehicles, or hold cash balances strategically.

We manage a number of Private Funds<sup>3</sup> including Hedge Funds and Real Estate Funds. Investments in private funds are illiquid investments and cannot be readily redeemed. Please refer to their respective Confidential Private Offering Memorandum for further details. The Adviser may from time to time recommend other illiquid investments. Investors are advised to read the respective Confidential Private Offering Memorandum in detail to understand the liquidity and risks inherent with these investments.

### **Asset Advisory Program**

In this program, the Adviser may provide research and advice to clients with respect to alternative investments that may or may not be affiliated with the Adviser. For each alternative investment that it recommends, the Adviser, in its sole discretion, may or may not create and make available a written report of such review. The Adviser's recommendations are generally based on information conveyed to it by the client as is reasonably required by the Adviser to provide an appropriate recommendation. The

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<sup>3</sup> Individuals need to qualify as an "accredited investor" in order to be eligible to become a subscriber in a private fund. The Investor must have a net worth, or joint net worth with his or her spouse, in excess of \$1,000,000. The term "net worth" means the excess of total assets at fair market value, including home furnishings and automobiles, over total liabilities; provided that, (i) the Investor's primary residence shall not be included as an asset, (ii) indebtedness that is secured by the Investor's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the Interests, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of sale of the Interests exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability), and (iii) indebtedness that is secured by the Investor's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of the Interests shall be included as a liability. Individuals also need to qualify as a "qualified purchaser" in order to be eligible to become a subscriber in a private fund as such term is defined in Section 2(a)(51) of the Investment Company Act or a "knowledgeable employee" as defined in Rule 3c-5 under the Investment Company Act.

Adviser's evaluation may continue on an on-going basis, and the Adviser may recommend termination of the client's participation in an investment if the Adviser's research deems it advisable. In the event that the Adviser makes a determination that a particular alternative investment previously recommended to, and subscribed by, the client is no longer a recommended investment for the client, where possible it shall be the client's option to change or continue to participate in the alternative investment. If the client wishes to continue to participate in the alternative investment, the Adviser shall no longer provide any recommendation or advice regarding such alternative investment. However, the client shall continue to pay the Adviser its fee in recognition of the advice previously provided by the Adviser, and where applicable, for continuing services such as performance measurement and monitoring.

Evaluations of certain alternative investments may be conducted by independent consulting firms engaged by the Adviser. These independent consulting firms are also in the business of evaluating the capabilities of alternative investments and generally follow a methodology similar to that used by the Adviser in reviewing such alternative investments.

The minimum account size for participation in this Program is \$5,000,000, although smaller accounts may, in the sole discretion of the Adviser, be accepted for participation in the Asset Advisory Program.

In addition to the programs set forth above, the Adviser acts as investment manager and adviser to a private fund offering, Constellation Hedge Partners LP ("CHP"). The offering is not registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended. As appropriate, our advisory clients may be solicited to invest in the above offerings. For additional information about CHP, a copy of the Confidential Private Offering Memorandum is available by contacting the Adviser by telephone, via e-mail or in writing.

The Advisers' fees are described in each offering memorandum and investors are not assessed any "placement fees" paid by the Adviser to third-parties for bringing investors into these offerings.

#### **AMOUNT OF MANAGED ASSETS ("REGULATORY ASSETS UNDER MANAGEMENT")**

As of December 31, 2014, we were actively managing \$4,294,094,769 of clients' assets on a discretionary basis plus managing \$1,886,509,139 of clients' assets on a non-discretionary basis, for a total of \$6,180,603,908 in Regulatory Assets Under Management ("RAUM").

#### **Item 5 Fees and Compensation**

##### **ADVISORY FEES**

##### **Independent Advisor Program**

Our annual fees for the Independent Advisor Program are based upon a percentage of assets under management and generally range from 0.50% to 1.50%. The complete schedule of our advisory fees for the Independent Advisor Program is available upon written request. Under certain circumstances, fees may be negotiated. In certain circumstances, for the Independent Advisor Program, a fixed annual fee will be assessed in lieu of fees based upon a percentage of assets under management. The Independent Advisor Program may include Administrative Fees.

## **Asset Management Program**

Our annual fees for the Asset Management Program are based upon a percentage of assets under management and generally range from 0.50% to 1.50%. The complete schedule of our advisory fees for the Asset Management Program is available upon written request. Under certain circumstances, fees may be negotiated. In certain circumstances, for the Asset Management Program, a fixed annual fee will be assessed in lieu of fees based upon a percentage of assets under management. The Asset Management Program may include Administrative Fees.

## **Asset Advisory Services**

In consideration for the Adviser's services provided to clients who participate in the Asset Advisory Services, clients shall pay the Adviser an asset under management fee and a performance-based fee (in an amount to be negotiated by the Adviser and each client) based on a percentage of the assets in the client account maintained for these services. The complete schedule of our advisory fees for the Asset Advisory Services is available upon written request. Fees may be negotiated.

The Adviser's performance based fee under this Program may only be assessed to client accounts that satisfy one or more of the criteria for "qualified clients" as defined under Rule 205-3 of the Investment Advisers Act of 1940, as amended<sup>4</sup>.

## **GENERAL INFORMATION ON ADVISORY FEES**

### **Managed Account Incentive Fees**

Certain Client Accounts may pay CWA performance-based compensation ("Incentive Fee(s)"). The Incentive Fee is calculated based on a percentage of the net profits of the account(s) on a frequency mutually agreed upon with the client.

In instances in which CWA's investment management services are provided solely for incentive fee based compensation, advisory clients should recognize that such fee arrangements may create an investment conflict as it creates an incentive to allocate profitable investments to such a client, thereby enabling us to recognize increased compensation for our management services.

Clients who elect to terminate their contracts will be charged an Incentive Fee based upon the performance of the account for the measuring period going back from the termination date and pro-rated from the date on which the Incentive Fee was last assessed.

In measuring the client's assets for the calculation of a performance-based fee, CWA includes: securities for which market quotations are readily available, the realized capital losses and unrealized capital losses of securities over the period and, if the unrealized capital appreciation of the securities over this period is included, the unrealized capital depreciation of securities over the period. As such, we may receive increased compensation with regard to unrealized appreciation in a client account.

The client must understand the performance-based fee method of compensation and its risks prior to

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<sup>4</sup> A qualified client means a natural person, or a company, that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser and that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000 at the time the contract is entered into. (SEC Release 3236, July 12, 2011, p. 4.). An adviser is allowed to aggregate all the investor's investments in all of the private funds advised by the Adviser when determining if the investor has at least \$1,000,000 under management of the investment adviser in order to satisfy the requirements of being a "qualified client" under Rule 205-3 of the Investment Advisers Act of 1940. See SEC IM Guidance Update, November 2013, No. 2013-10.

entering into a management contract.

PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

### **Limited Negotiability of Advisory Fees**

Although CWA has established a written schedule of fees, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. Therefore, fees between clients may vary. These include but we are not limited to the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports. The specific annual fee schedule is identified in the contract between CWA and the client.

We may aggregate certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of CWA.

### **Third Party Asset Manager Fees**

CWA 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 should review the third party asset manager's Investment Adviser Brochure or other disclosure documents.

### **Termination of the Advisory Relationship**

Investment Management Agreements between clients and CWA shall continue in effect until terminated by either the client or CWA by giving notice to the other in writing at least seven (7) days prior to the date of termination (the "Termination Date"). Effective with the Termination Date, CWA and any third-party asset managers that it has engaged to manage all or part of a client's assets shall refrain, without liability, from taking any further action with respect to the client account and CWA and the third-party asset managers will cease to be entitled to receive advisory fees for any period following the Termination Date. If an Investment Management Agreement is terminated after fees have been collected in advance for a given period, a *pro-rata* refund of such fees will be paid to the client for that period.

Clients may also terminate Investment Management Agreements with CWA, without penalty within five (5) business days after the date of execution, provided however, that any investment action taken by CWA, with respect to the client account prior to the effective date of such termination, shall be at the client's risk.

### **Mutual Fund Fees**

All fees paid to CWA 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. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by CWA which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each

client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### **“Wrap - Fee” Programs and Separately Managed Account Fees**

Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by CWA. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the advisor, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients. *Please see Appendix 1, Wrap-Fee Program Brochure for additional information on our Wrap -Fee Programs.*

### **Additional Fees and Expenses**

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

### **ERISA Accounts**

CWA is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (“IRAs”) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, the Adviser 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, CWA may only charge fees for investment advice about products for which CWA and/or our related persons do not receive any commissions or trailing fees<sup>5</sup>. Advisory clients should understand that CWA may receive “trailing” fees on money market funds which does have an economic impact upon their accounts.

### **Advisory Fees in General**

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

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

### **PERFORMANCE-BASED FEES**

As described herein, CWA may receive a performance based fee or Incentive Fee from its clients. CWA structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 in accordance with the available exemptions thereunder, including

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<sup>5</sup> Trailing fees or 12b-1 fees are additional fees charged by some mutual funds to cover promotion, sales distributions, and marketing expenses and occasionally will be received by the broker-dealers to subsidize their cost for servicing the investor.

the exemption set forth under Rule 205-3. In measuring client assets for the calculation of performance based fees, the Adviser may include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Furthermore, as we may also have clients who do not pay performance-based fees, we may have an incentive to favor accounts that do pay such fees because compensation we may receive from these clients is more directly tied to the performance of their accounts. The Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

To qualify for a performance-based fee<sup>6</sup> arrangement, a client (or Fund investor, as applicable) must either demonstrate a net worth of at least \$2,000,000 or must have at least \$1,000,000 under management immediately after entering into a management agreement.

### **Item 7    Types of Clients**

CWA may provide advisory services to the following types of clients:

- High net worth individuals and families;
- Pension and profit sharing plans (other than plan participants);
- Other pooled investment vehicles (e.g., hedge funds);
- Charitable organizations;
- Corporations or other businesses not listed above; and/or
- Trusts and Estates.

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

#### **Third Party Money Manager Analysis**

CWA recognizes the monumental task of identifying quality portfolio investment managers. Over 100,000 managers are available globally, offering strategies that invest across the asset class spectrum (equities, fixed income, commodities, real estate, and private equity).

Morningstar, Inc.<sup>7</sup> collects data on thousands of third party money managers and establishes “universe” counts by investment vehicle and geography. Currently, the Morningstar universe counts are as follows:

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<sup>6</sup> SEC amended Rule 205-3 of the Investment Advisers Act of 1940 raises the financial requirements for the client (as described under Item 6) which allows the Adviser to charge performance fees.

<sup>7</sup> Morningstar, Inc. is an independent firm that is not associated with Constellation Wealth Advisors LLC and provides research and analysis on stock markets and investment products.

<b><u>Open End Funds</u></b>	
U.S.	29,893
Global	212,912
<b><u>Closed End Funds</u></b>	
U.S.	569
Global	10,664
<b><u>Exchange Traded Funds</u></b>	
U.S.	1,660
Global	11,542
<b><u>Hedge Funds</u></b>	
U.S. Single Strategy	4,971
U.S. Fund of Funds	1,631
Global	7,198
<b><u>Separately Managed Accounts</u></b>	
U.S.	7,472
Global	14,932
<i>Data as of 3/19/15</i>	

It is important to understand that the majority of these strategies are managed actively (or independent of an index). CWA is agnostic in preference towards active or passive strategies and believes that our diligence process is well suited to evaluate managers pursuing both styles of investing.

CWA generally sources third party managers in 1 of 2 ways: 1) network referral or 2) database screen. While network referrals are extremely important, those managers recommended to CWA must satisfy the same rigorous analysis and evaluation as managers sourced through a screen.

Our manager screens favor conjoint analysis with weightings assigned to individual factors as opposed to a pass/fail approach. We utilize both qualitative and quantitative factors. Qualitative factors include assets under management, track record, portfolio manager tenure, liquidity, fees, and GIPS<sup>®8</sup> verification for separately managed accounts. Quantitative factors emphasize risk adjusted return measures including Sharpe ratio<sup>9</sup>, Modern Portfolio Theory (“MPT”) statistics, information ratio, capture statistics, and downside risk statistics.

An obvious drawback from a screen is that not all third party managers will report into a database. We believe network referrals remain the best source for identifying managers that do not make their firm information available through a database.

Once a manager is identified as having the necessary qualitative and quantitative criteria for further evaluation, CWA begins the formal due diligence process to determine whether a manager should be approved for client portfolios.

<sup>8</sup> Please see footnote number 2 on page 7 for a description of the GIPS standard.

<sup>9</sup> A Sharpe ratio is a risk - adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. Generally, the higher the Sharpe ratio, the better the fund’s historical risk-adjusted performance.

Formal due diligence involves four steps: regulatory review, performance review, process review, and firm/business review.

CWA has developed a Due Diligence Questionnaire Template that includes dozens of questions under six primary topics: Firm and Product Information, People, Performance, Philosophy, Process and Trading, and Risk Management. Third party manager responses to these questions often drive additional follow-up questions that require calls or meetings with members of the investment or operational team.

Upon completion of the formal due diligence process, CWA will determine whether the manager will become approved for client portfolios. The managers that ultimately are approved for client portfolios demonstrate to us professionalism and high ethical standards throughout the due diligence process and history of their firm. It is very important to CWA that there is alignment of interests between the third party manager and the investors in the strategy. Approved active managers will often have a distinct “value add” as part of their strategy that may include macro orientation, industry analysis, security analysis, team structure, trading, portfolio management, capital structure analysis, or risk management.

Approved third party managers are eligible for investment within client portfolios. After a manager is approved, CWA will monitor the manager to ensure that the manager is investing according to the stated objectives of the strategy and that the strategy is not encumbered by business developments at the firm level.

There are many potential red flags that might indicate a manager has deviated from the stated objectives of the strategy or that a business development may impair the effectiveness of the strategy. Our procedures are designed to identify these red flags in a timely fashion and determine whether the manager should continue to be approved for client portfolios.

## **METHODS OF ANALYSIS**

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

### Client Risk Profile Assessment

The Adviser will determine the right amount of risk a client’s asset allocation can accept to meet their objectives. These discussions generally result in an agreement on the levels and types of risk that are appropriate for a given client’s situation. Each client’s portfolio is custom designed and assessing risk tolerance is paramount to the investment process.

### Conduct Cash Flow Analysis

The Adviser will determine the appropriate cash flow analysis required for the client to maintain their lifestyle. The Adviser models cash sources to try to ensure that assets are positioned to meet any forecasted need.

### Define and Refine Asset Allocation over Time

The Adviser will determine the client’s risk profile, investment horizon, liquidity and cash flow requirements, which may be ultimately integrated into a plan and implemented through an asset allocation. The asset allocation is a dynamic process that is periodically reviewed to ensure that it is meeting any changing needs experienced by the client.



## INVESTMENT STRATEGIES

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

### Equities

The Adviser evaluates hundreds of investment managers annually to focus only on the select few that meet our criteria of attractive risk - adjusted rates of return, timeliness, and a focus on wealth preservation. The Adviser's research team may utilize sophisticated software analysis to help find and evaluate investment managers that meet multiple screening criteria. With its Advisory Programs, the Adviser identifies, evaluates and purchases equities on behalf of its clients.

### Fixed Income

Bonds are often an integral part of investment plans, particularly where wealth preservation is a primary goal. The Adviser is not captive to any one trading desk. As such, the Adviser is generally able to search for bonds from multiple dealers to make the best selections for our clients. As with Equities, the Adviser also evaluates investment managers who are able to meet our client's criteria for fixed income investing.

### Alternatives

The risk-adjusted returns and often non-correlated characteristics of alternative investments can make them attractive additions to traditionally positioned portfolios.

Depending on market conditions, we may seek attractive investment opportunities among hedge funds, real estate, and private equity offerings.

### **Risk of Loss**

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Detailed below are specific asset class risks:

*Commodities.* Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, and weather conditions may significantly affect the results of the Adviser's portfolio and the value of its investments. In addition, the value of the Adviser's portfolio may fluctuate as the general level of interest rates fluctuates.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Short Selling Risk.* The Adviser's investment program may include short selling. Short selling transactions exposes the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser for a client account, in connection with a short sale would need to be returned

to the securities lender on short notice. If such a request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Adviser might be compelled, at the most disadvantageous time to the client account, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Emerging Markets.* The risks of foreign investments are typically greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries are also more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and “growth” stocks can react differently from “value” stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*Fixed-Income and Debt Securities.* Investment in fixed income and debt securities such as bonds, notes and asset-backed securities, subject clients’ portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio’s income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer’s ability to make such payments will cause the price of that debt to decline. Lastly, investments in lower-rated debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

## **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.

Certain management personnel were subject to a global settlement regarding the sale of “Auction Rate Preferred” securities. This settlement occurred during the period of time that they were employed with Citigroup and this matter is now closed.

CWA and our management personnel have no other reportable disciplinary events to disclose.

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

### **Adviser Registrations**

In addition to CWA being a registered investment adviser, the Adviser is also registered as a securities

broker-dealer with the Securities and Exchange Commission (“SEC”), and as a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”), and the National Futures Association (“NFA”). The Adviser is also registered as a broker-dealer with those state securities authorities where it services clients and is not otherwise exempt from such registration. A list of regulatory affiliations is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1A, which can be accessed by following the directions provided on the Cover Page of this Adviser Brochure.

### **Item 11 Code of Ethics**

CWA has adopted a Code of Ethics and related policies and procedures (collectively, the “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.

CWA and our personnel owe a duty of loyalty, fairness and good faith towards its 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 of Ethics.

CWA’s Code of Ethics includes policies and procedures for the review of securities transactions reports as well as securities holdings reports that must be submitted by the Adviser’s access and covered 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 of Ethics also provides for oversight, enforcement and recordkeeping provisions.

CWA retains the services of Compliance Science to assist in providing an automated solution to managing the requirements found under the CWA Code of Ethics and Insider Trading Policy. This includes Employees electronically requesting pre-clearance of personal securities transactions, reporting of gifts, political contributions and outside business activities. The Personal Trading Control Center (“PTCC”)<sup>10</sup> reconciles each pre-clearance trading request against the Restricted List in order to determine whether an approval or a denial should be provided electronically to the Employee. PTCC also reconciles each trading transaction against the electronic feed of each Employee’s outside brokerage account.

Our Code of Ethics further includes the Adviser’s policy prohibiting the use of material non-public “insider” 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.

CWA’s 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.

CWA and/or individuals associated with CWA 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 securities which may also be recommended to a client.

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

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<sup>10</sup> PTCC is compliant with SEC Rules 17j-1 and 204A-1.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek “best execution” (our “best execution” policy is found under Item 12 Brokerage Practices in this document) for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. CWA employee accounts will be included in the pro-rata allocation.

A copy of CWA’s Code of Ethics is available to advisory clients and prospective clients. You may request a copy by email at [Compliance@cwalc.com](mailto:Compliance@cwalc.com), or by calling us at (212) 697-4900.

### **Potential Conflicts of Interests**

CWA and individuals associated with CWA are prohibited from engaging in agency cross transactions.

Certain management personnel of CWA serve as managing member to Constellation Hedge General Partners LLC, the general partners to Constellation Hedge Partners LP (collectively the “Fund”). The General Partner has designated CWA as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, pertaining to the Fund. CWA and its members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the business of the Fund. CWA and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of CWA and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Fund, but could be allocated between the businesses of the Fund and other of our business activities and those of our affiliates.

Investments in the Fund may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by CWA or where a separate account is not appropriate or available. Clients who invest in the Fund, are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund, and fees due to the General Partner are subject to terms found under the respective Confidential Private Offering Memorandum.

As these situations represent actual or potential conflicts of interest to CWA clients, we have established the following policies and procedures for implementing our Code of Ethics, to ensure that CWA complies with its regulatory obligations and provides its clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of CWA may put his or her own interest above the interest of an advisory client.
2. No principal or employee of CWA may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of CWA that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account including any private funds that the Advisor may advise. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. No supervised person for CWA or affiliated registered entities shall acquire any beneficial ownership in an Initial Public Offering (“IPO”) for his or her account. No supervised person of

CWA shall acquire beneficial ownership of any securities in a limited offering or private placement without the prior written approval of the CWA's CCO.

5. We maintain a list of all reportable securities holdings ("Restricted List") for our Adviser and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by the Adviser's CCO or his designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of CWA's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of CWA.
9. We have established policies requiring the reporting of Code of Ethics violations to CWA's senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

For discretionary clients, CWA requires these clients to provide us with written authority to exercise discretion. The broker dealer will disclose to its discretionary clients the commission costs that will be charged for these transactions.

CWA does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

### **Best Execution**

CWA will create a "block trade"<sup>11</sup> where possible and aggregate trades<sup>12</sup> when advantageous to clients. This "blocking" of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such "block."

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. CWA will typically aggregate trades among clients whose accounts can be traded at a given broker on any particular day. CWA's block trading policy and procedures are as follows:

- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with CWA, or the CWA's order allocation policy.
- The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable CWA to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek

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<sup>11</sup> A block trade is a permissible, noncompetitive, privately negotiated transaction either at or exceeding an exchange determined minimum threshold quantity of shares, which is executed apart and away from the open outcry or electronic markets.

<sup>12</sup> An aggregate trade may be used when we purchase securities for more than one client account and the opportunity exists for better execution and pricing due to the higher volume level.

the best quality of execution, as well as the best net price.

- Prior to entry of an aggregated order, the allocation is loaded into our order entry system which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day generally may be allocated pro-rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro-rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro-rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro-rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the CCO no later than the morning following the execution of the aggregate trade.
- CWA's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- Generally, Funds and securities for aggregated orders are clearly identified on CWA's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- No client or account will be favored over another.

CWA may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. CWA is independently owned and operated and not affiliated with Schwab.

Generally, Schwab provides CWA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of CWA's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon CWA committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, 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.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Generally, Schwab also makes available to CWA other products and services that benefit CWA but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering CWA client accounts include software and other technology that:

- Provide access to client account data (such as trade conversations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide research, pricing and other market data;
- Facilitate payment of our CWA fees from clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

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

- Compliance, legal and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to CWA. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to CWA. Schwab may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the aforementioned products and services, as well as other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Item 13    Review of Accounts**

While the underlying securities within client accounts are continually monitored, these accounts are periodically but at least annually reviewed. 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.

CWA issues periodic written reports to its investment advisory clients. These written reports generally contain a list of assets, investment results, and statistical data related to the client's account. We urge clients to carefully review these reports and compare the statements that they receive from their custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

CWA may pay referral fees to independent persons or advisers ("Solicitors") for introducing clients to us. Whenever CWA pay a referral fee, we require the Solicitor to provide the prospective client with a

copy of this document (our *Adviser Brochure*) and a separate disclosure statement that includes the following information:

- The Solicitor's name and relationship with CWA;
- The fact that the Solicitor is being paid a referral fee;
- The amount of the fee; and
- Whether the fee paid CWA by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of CWA practice, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral.

It is CWA'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.

#### **Item 15 Custody**

With respect to client accounts over which CWA has or is deemed to have custody of client assets, CWA directs the client's qualified custodian to send an account statement at least quarterly to such client indicating all amounts disbursed from the account (including the amount of any fees paid to the Adviser), all transactions occurring in the account during the period covered by the statement (amount of funds and each security), and a summary of the account positions and portfolio value at the end of the period. Clients will receive account statements directly from broker dealers or other qualified custodians, and should carefully review these account statements. We urge clients to carefully compare the information provided on these statements with any statements from us. With respect to private funds over which the Adviser and/or one of its affiliates is deemed to have custody, the Adviser requires that each such fund be subject to an audit by an independent accountant and distribute financial statements, audited in accordance with U.S. generally accepted accounting principles, to investors on an annual basis.

#### **Item 16 Investment Discretion**

Pursuant to our Investment Advisory Account ("IAA"), we are deemed to have investment discretion or a limited power of attorney to make investment decisions on the clients behalf. Both the Adviser and the IAA client are subject to the terms as found under the Investment Advisory Agreement.

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

We will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. CWA will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how CWA voted proxies. If CWA has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting the Adviser by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and



procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact the Adviser by telephone, email, or in writing.

We vote proxies for some, but not all of our clients. Clients may, at their election, choose to receive proxies related to their own accounts, in which case we may consult with clients as requested.

## **Item 18   Financial Information**

As an Adviser that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations.

CWA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.