



# Arbor Trust

WEALTH ADVISORS

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Arbor Trust Wealth Advisors, LLC (hereinafter “ATWA” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at this telephone number listed above. 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. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, ATWA is required to discuss any material changes that have been made to the brochure since the last annual amendment. As such, there are no material changes to disclose pursuant to this Item.

**Item 3. Table of Contents**

Item 2. Material Changes .....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	7
Item 6. Performance-Based Fees and Side-by-Side Management .....	10
Item 7. Types of Clients.....	11
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9. Disciplinary Information .....	14
Item 10. Other Financial Industry Activities and Affiliations .....	14
Item 11. Code of Ethics .....	15
Item 12. Brokerage Practices .....	16
Item 13. Review of Accounts.....	20
Item 14. Client Referrals and Other Compensation.....	20
Item 15. Custody .....	21
Item 16. Investment Discretion.....	21
Item 17. Voting Client Securities.....	22
Item 18. Financial Information .....	22

## Item 4. Advisory Business

ATWA began conducting investment advisory business in August 2014 and is principally owned by Carol Sewell, Gary Haapala, James Winslow and Charles Waterhouse.

ATWA offers a variety of wealth management services, which include financial planning, investment management, portfolio management, retirement plan consulting services and fiduciary services, including trust administration and estate planning review. Prior to ATWA rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with ATWA setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”). As of January 22, 2015, ATWA had \$116,837,000 assets under management. All of which was managed on a discretionary basis.

While this brochure generally describes the business of ATWA, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on ATWA’s behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

ATWA offers clients a broad range of financial planning and consulting services, which may include any or all of the following functions:

- |                             |                                       |
|-----------------------------|---------------------------------------|
| • Business Planning         | • Charitable Giving                   |
| • Cash Flow Forecasting     | • Distribution Planning               |
| • Trust and Estate Planning | • Tax Planning                        |
| • Investment Management     | • Manager Due Diligence               |
| • Portfolio Management      | • Trust Administration                |
| • Insurance Planning        | • Bill Pay                            |
| • Retirement Planning       | • University Retirement Plan Services |
| • Risk Management           |                                       |

While each of these services is available on a stand-alone basis, certain of them may also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement.

In performing these services, ATWA is not required to verify any information received from the client or from the client’s other professionals (*e.g.*, attorneys, accountants, etc.) and is expressly authorized to rely

on such information. ATWA may recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage ATWA or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by ATWA under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising ATWA's recommendations and/or services.

### **Investment and Wealth Management Services**

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ATWA manages client investment portfolios on a discretionary or non-discretionary basis. In addition, ATWA may provide clients with wealth management services which generally include a broad range of comprehensive financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

ATWA primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, options, master limited partnerships ("MLPs"), real estate investment trusts ("REITs") and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage ATWA to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, ATWA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

ATWA tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. ATWA consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify ATWA if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if ATWA determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### Trust Fiduciary Services

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ATWA provides fiduciary services to certain trust clients. ATWA does not act as trustee for the accounts. Instead, ATWA has entered an agreement with Tri-Star Trust Bank (“Tri-Star”) to act as trustee. In addition to the investment and wealth management services described above, ATWA will provide processing services and other fiduciary services to Tri-Star, the grantor and/or beneficiaries.

### Wrap Fee Programs

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In order to provide clients with a greater level of fee transparency, the Firm’s investment advisory services do not include securities brokerage services as the Firm does not serve as the sponsor or manager to a wrap fee program (*i.e.*, an arrangement where brokerage commissions and transaction costs are absorbed by the Firm).

### Retirement Plan Consulting Services

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ATWA provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by ATWA as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of ATWA’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### Use of Independent Managers

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As mentioned above, ATWA may select certain Independent Managers to actively manage a portion of its clients’ assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

ATWA evaluates a variety of information about Independent Managers, which may include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. ATWA also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

ATWA continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. ATWA seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

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

ATWA offers services on a fee basis, which may include fixed and/or hourly fees, as well as fees based upon assets under management or advisement. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, may offer securities brokerage services and/or insurance products under a separate commission-based arrangement.

### **Financial Planning and Consulting Fees**

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In limited situations, ATWA may agree to provide stand-alone financial planning and/or consulting services for a fixed and/or hourly fee. These fees are negotiable, but generally range from \$1,000 to \$12,500 on a fixed fee basis and/or from \$150 to \$400 on an hourly basis, depending upon the scope and complexity of the engagement and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, ATWA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and ATWA generally requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### Investment and Wealth Management Fees

ATWA offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies between 80 and 175 basis points (0.80 % – 1.75 %) in accordance with the following fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$100,000	1.75%
\$100,001 - \$250,000	1.50%
\$250,001 - \$500,000	1.25%
\$500,001 - \$1,000,000	1.00%
\$1,000,001 - \$3,000,000	0.90%
Above \$3,000,000	0.80%

In addition, the Firm will also provide wealth management services to university employees. Because there are generally less investment options available for the accounts held by these clients, the firm charges a slightly lower fee in accordance with the following fee schedule:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$1,000,000	0.70%
Above \$1,000,000	0.60%

When providing the trust fiduciary services described above, the Firm will add an additional .25% to the fee schedules listed above.

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by ATWA on the last day of the previous billing period.

If assets in excess of \$10,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, concentrated stock positions, accommodation accounts, alternative investments, etc.), ATWA may negotiate a fee rate that differs from the range set forth above.

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**Retirement Plan Consulting Fees**

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ATWA generally charges a fixed project-based or asset-based fee to provide retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Advisory Agreement. These fees vary, based on the complexity and scope of the services to be rendered and the size of the retirement plan.

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**Fee Discretion**

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ATWA may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

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**Additional Fees and Expenses**

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In addition to the advisory fees paid to ATWA, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees attributable to alternative assets, reporting charges, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

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**Direct Fee Debit**

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Clients generally provide ATWA and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to ATWA. Alternatively, clients may elect to have ATWA send a separate invoice for direct payment.

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**Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to ATWA’s right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right

to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to ATWA, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. ATWA may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

### **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with ATWA (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with ATWA.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service fees (*i.e.*, trails) from the sale of mutual funds. ATWA may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PKS.

A conflict of interest exists to the extent that ATWA recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by ERISA and such others that ATWA, in its sole discretion, deems appropriate, ATWA may provide its investment advisory services on a fee-offset basis. In this scenario, ATWA may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

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

ATWA does not provide any services for a performance-based fee (*i.e.*, a fee based on a share of capital gains or capital appreciation of a client's assets) and does not engage in side-by-side management.

## Item 7. Types of Clients

ATWA offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Requirements

ATWA does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain Independent Managers may, however, impose more restrictive account requirements and billing practices from the Firm. In these instances, ATWA may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

### Methods of Analysis and Investment Strategies

ATWA utilizes a largely fundamental method of analysis while employing an asset allocation strategy based on a derivative of Modern Portfolio Theory.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For ATWA, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Modern Portfolio Theory ("MPT") is a mathematical based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (*e.g.*, tax implications, regulatory constraints and brokerage costs) may negate the upside or add to the actual risk of a particular allocation. Nevertheless, ATWA's investment process is structured in such a way to integrate those assumptions and real life considerations for which MPT analytics do not account.

## **Risk of Loss**

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### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of ATWA's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that ATWA will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Independent Managers*

As stated above, ATWA may select certain Independent Managers to manage a portion of its clients' assets. In these situations, ATWA continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully

implement their investment strategies. In addition, ATWA generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Master Limited Partnerships (MLPs)*

Master Limited Partnerships (“MLPs”) are collective investment vehicles, the partnership interests of which are publicly traded on national securities exchanges. MLPs invest primarily in companies within the energy sector that engage in qualifying lines of business, such as natural resource production and mineral refinement. MLPs are therefore subject to the underlying volatility of the energy industry and may be adversely affected by changes to supply and demand, regional instability, currency spreads, inflation and interest rate fluctuations, among other such factors. In addition, MLPs operate as pass-through tax entities, meaning that investors are liable for their pro rata share of the partnership taxes, regardless of the types of accounts where the interests are held.

#### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

#### *Real Estate Investment Trusts (REITs)*

ATWA may recommend an investment in, or allocate assets among, various real estate investment trusts (“REITs”), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle’s shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

#### *Management through Similarly Managed “Model” Accounts*

ATWA manages certain accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through

the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

## **Item 9. Disciplinary Information**

ATWA has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

### **Registered Representatives**

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Certain of the Firm's Supervised Persons are registered representatives of PKS and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement allows ATWA's Supervised Persons to offer certain qualified clients trading services, which gives the Firm the ability to execute trades through PKS of client assets custodied at Schwab (as defined below).

### **Licensed Insurance Agency**

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ATWA is a duly licensed insurance agency. Additionally, a number of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that ATWA recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

**Relationship with Dynasty Financial Partners, LLC**

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ATWA maintains a business relationship with Dynasty Financial Partners, LLC (“Dynasty”), which provides the Firm with operational and back office support including access to a network of service providers. Through the Dynasty network of service providers, ATWA has access to trading technology, transition support, reporting, custody, brokerage, investments, compliance and other related services. The Firm may also engage and/or recommend Dynasty’s subsidiary, Dynasty Wealth Management LLC, a registered investment adviser, to clients for certain outsourced investment services, such as separate account management, asset allocation strategies and externally managed investment programs. While ATWA believes this open architecture structure for both operational and investment services best serves the interests of its advisory clients, this relationship may potentially present certain conflicts of interest due to the fact that Dynasty retains a portion of the platform or other third party fees paid by the Firm or clients for the services referenced above. In light of the foregoing, ATWA seeks at all times to ensure that any material conflicts are addressed on a fully-disclosed basis and handled in a manner that is aligned with its clients’ best interests. ATWA does not receive any portion of the fees paid directly to Dynasty, its affiliates or the service providers made available through Dynasty’s platform. In addition, the Firm reviews all such relationships, including the service providers engaged through Dynasty, on an ongoing basis in an effort to ensure clients are receiving competitive rates in relation to the quality and scope of the services provided.

**Item 11. Code of Ethics**

ATWA has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. ATWA’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of ATWA’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person will access to this information may knowingly effect for themselves or for their

immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact ATWA to request a copy of its Code of Ethics.

## Item 12. Brokerage Practices

### Recommendation of Broker/Dealers for Client Transactions

ATWA generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services™ ("Schwab") for investment management accounts.

Factors which ATWA considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by ATWA's clients to Schwab comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where ATWA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. ATWA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist ATWA in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because ATWA does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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ATWA may receive without cost from Schwab computer software and related systems support, which allow ATWA to better monitor client accounts maintained at Schwab. ATWA may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). Specifically, ATWA may receive the following benefits from Schwab:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

In addition, Schwab has provided a loan to ATWA to assist the Firm with its business operations. The loan is guaranteed by Gary Haapala, Carol Sewell, Charles Waterhouse and James Winslow, principals of ATWA. The terms of the loan require that management fees to ATWA be paid to an account at Schwab for deduction of interest and principal payments on the loan before ATWA may access such management fees. The loan agreement contains various representations and covenants by ATWA, including, among others, that the Firm will maintain at least \$100,000,000 in end client net assets held at Schwab ("Assets Under Management at Schwab"), and that the Firm will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits. Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on the ATWA's ability to perform services to clients.

Some of the products, services and other benefits provided by Schwab, including the loan noted above, benefit ATWA and may not benefit all of the Firm's client accounts. ATWA's recommendation or requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to the Firm, or ATWA's agreement to maintain certain Assets Under Management at Schwab,

and not solely on the nature, cost or quality of custody and execution services provided by Schwab. Clients should be aware that ATWA's receipt of economic benefits from a custodian or broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of a custodian or broker-dealer over another that does not furnish similar benefits.

The Firm places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. ATWA may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that the Firm is more likely to place trades through Schwab rather than other custodians or broker-dealers. Schwab's execution quality may be different than other broker-dealers.

In fulfilling its duties to its clients, ATWA endeavors at all times to put the interests of its clients first. The Firm periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions including Schwab in light of its duty to obtain best execution.

### **Brokerage for Client Referrals**

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ATWA does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct ATWA in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by ATWA (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, ATWA may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless PKS provides written consent. Therefore, clients are advised that certain Supervised Persons may be

restricted to conducting securities transactions through PKS if they have not secured written consent from PKS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than PKS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Trade Aggregation**

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Transactions for each client generally will be effected independently, unless ATWA decides to purchase or sell the same securities for several clients at approximately the same time. ATWA may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among ATWA’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which ATWA’s Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. ATWA does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## Item 13. Review of Accounts

### Account Reviews

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ATWA monitors client portfolios on a continuous and ongoing basis while regular account reviews are generally conducted at least annually. Firm-level reviews are conducted by ATWA's Investment Committee and client-level reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with ATWA and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### Account Statements and Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. Clients may also receive quarterly reports from ATWA and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from ATWA or an outside service provider.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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The Firm does not currently provide compensation to any third-party solicitors for client referrals. In the event a client is introduced to ATWA by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from ATWA's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with ATWA's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of ATWA is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

**Other Economic Benefits**

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The Firm may receive an economic benefit from a third party (non-client) for providing advisory services, such as those described in Item 12 (above).

**Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize ATWA and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to ATWA. In addition, as discussed in Item 13, ATWA may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from ATWA.

**Item 16. Investment Discretion**

ATWA may be given the authority to exercise discretion on behalf of clients. ATWA is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. ATWA is given this authority through a power-of-attorney included in the agreement between ATWA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). ATWA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

## Item 17. Voting Client Securities

ATWA may accept the authority to vote a client's securities (i.e., proxies) on their behalf. When ATWA accepts such responsibility, it will cast proxy votes only in a manner it believes consistent with the best interest of its clients. At any time clients may contact the Firm to request information about how ATWA voted proxies for that client's securities.

A brief summary of ATWA's proxy voting policies and procedures is as follows:

- The Firm has engaged Broadridge Investor Communications Solutions, Inc. ("Broadridge"), a third-party, independent proxy advisory firm, to provide it with research, analysis, and recommendations on the various proxy proposals for the client securities that ATWA manages with the aim of maximizing shareholder value. In engaging Broadridge for that purpose, ATWA has reviewed Broadridge's Proxy Paper Guidelines for the current proxy voting season and has approved the summary of Broadridge's positions on the voting positions it recommends for the types of proposals most frequently presented, including: election and composition of directors; financial reporting; compensation of management and directors; corporate governance structure and anti-takeover measures; and environmental and social risks to operations. ATWA is in agreement with the approach Broadridge has set forth in its current Proxy Paper Guidelines for voting proxies. Although ATWA, based on its approval of the positions in the Proxy Paper Guidelines, expects to vote proxies according to Broadridge's recommendations, certain issues may need to be considered on a case-by-case basis due to the diverse and continually evolving nature of corporate governance issues. If such cases should arise, then ATWA will devote appropriate time and resources to consider those issues.
- Where ATWA is responsible for voting proxies on behalf of a client, the client cannot direct the Firm's vote on a particular solicitation. The client, however, can revoke ATWA's authority to vote proxies. In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that ATWA maintains with persons having an interest in the outcome of certain votes, the Firm will take appropriate steps, whether by following Broadridge's third-party recommendation or otherwise, to ensure that proxy voting decisions are made in what it believes is the best interest of its clients and are not the product of any such conflict.

## Item 18. Financial Information

ATWA is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;

- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.