

# Disclosure Brochure

Form ADV Part 2A

March 2015



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This brochure provides information about the qualifications and business practices of Blue Water Advisors LLC (hereinafter “BWA” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the 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, BWA is required to discuss any material changes that have been made to the brochure since the last annual amendment. As this brochure has been prepared in connection with the Firm's initial application for investment adviser registration, there are no such material changes to disclose.

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## Item 4. Advisory Business

BWA began conducting investment advisory business in June 2014 and is owned by Max Haspel. BWA also conducts business through a d/b/a of the Firm named the New Canaan Group/BWA.

BWA offers a variety of advisory services, which include wealth management, financial planning, investment consulting, and portfolio management services. Prior to BWA rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with BWA setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”). As of December 31, 2014, BWA had \$339,232,303 of assets under management, of which \$276,852,571 was managed on a discretionary basis and \$62,379,732 was managed on a non-discretionary basis.

While this brochure generally describes the business of BWA, 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 BWA’s behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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BWA offers clients a broad range of advanced wealth management, financial planning and consulting services under a wealth management engagement, which may include any or all of the following functions: investment consulting, manager due diligence, financial reporting, distribution planning, insurance planning, trust and estate planning, charitable giving, business planning, cash flow forecasting, and tax planning.

In performing these services, BWA 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. BWA 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 may exist if clients engage BWA 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 BWA 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 BWA’s recommendations and/or services.

## **Investment and Wealth Management Services**

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BWA manages client investment portfolios on a discretionary or a non-discretionary basis. BWA primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”) and independent separate account 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 BWA to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance, annuity contracts, qualified tuition plans (*i.e.*, 529 plans) and other held-away assets. In these situations, BWA 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. The Firm does not, however, charge an additional advisory fee where its Supervised Persons receive brokerage related compensation.

BWA 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. BWA 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 BWA 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 BWA 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.

## **Sponsor and Manager of Wrap Program**

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BWA provides services as the sponsor and manager of the Wealth Management Program (the “Wrap Program”), a wrap fee program (*i.e.*, an arrangement where brokerage commissions and transaction costs are absorbed by the Firm). Participants in the Wrap Program may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. Additional information about the Wrap Program is available in BWA’s Wrap Brochure, which appears as Part 2A Appendix 1 of the Firm’s Form ADV.

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

BWA offers services on a fee basis, which may include fixed, 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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BWA may elect to charge a fixed, one-time, project-based fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but generally range up to \$25,000, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, BWA 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 BWA 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

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BWA generally offers wealth management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally ranges up to 125 basis points (1.25 %) in accordance with the following fee schedule:

PORTFOLIO ALUE	FEE RATE
Up to \$1,000,000	1.25%
\$1,000,001 - \$5,000,000	1.00%
\$5,000,001 - \$10,000,000	0.75%
\$10,000,001- \$20,000,000	0.65%
Above \$20,000,000	0.55%

The annual fee is prorated and charged quarterly, in advance, based upon the gross market value of the assets being managed by BWA on the last day of the previous billing period. As explained in Item 7, client relationships are generally subject to a minimum fee of \$3,750 per quarter. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets may be 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, accommodation accounts, alternative investments, etc.), BWA may negotiate a fee rate that differs from the range set forth above.

## **Fee Discretion**

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BWA may, in its sole discretion, negotiate to waive or charge a lesser or greater 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.

## **Additional Fees and Expenses**

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In addition to the advisory fees paid to BWA, 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, 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.

## **Direct Fee Debit**

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Clients generally provide BWA 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 BWA.

## **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to BWA’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 BWA, 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. BWA 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 BWA (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 BWA.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKSI"), 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 PKSI, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. BWA 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 PKSI.

A conflict of interest may exist to the extent that BWA 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 that BWA, in its sole discretion, deems appropriate, BWA may provide its investment advisory services on a fee-offset basis. In this scenario, BWA 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 PKSI.

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

BWA 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).

## Item 7. Types of Clients

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

### **Minimum Management Fee**

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As a condition for starting and maintaining a new management relationship, BWA generally imposes a minimum quarterly fee of \$3,750. This minimum fee may cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule. BWA may, in its sole discretion, elect to waive its minimum fee based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

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

### **Methods of Analysis and Investment Strategies**

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BWA generally utilizes a combination of fundamental, technical and cyclical analytical metrics and investment strategies for managing client assets.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or manager. For BWA, this process typically involves an analysis of a manager or fund's investment professionals, investment strategies, past performance, reputation and expenses. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a fund or manager may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematically-based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than fundamentals. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that BWA will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions

at a macro (market, economy or asset class) or micro (manager or fund) level, rather than focusing on the overall fundamental analysis of the health of the particular fund or manager that BWA is recommending. The risks with cyclical analysis are similar to those of technical analysis.

## **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.

### *Mutual Funds, ETFs and other Investment Companies*

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.

### *Independent Managers*

As stated above, BWA may select certain Independent Managers to manage a portion of its clients' assets. In these situations, BWA 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, BWA 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)*

BWA 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.

## *Exchange-Traded Notes (ETNs)*

BWA may recommend an investment in, or allocate assets among, various exchange-traded notes ("ETNs"). ETNs are unsecured debt securities which are listed on securities exchanges and transacted

at negotiated prices in the secondary market. ETNs are designed to track the performance of a corresponding benchmark. An ETN is essentially a contract between an issuer and the ETN holder, whereby the issuer, upon maturity, agrees to pay an amount relative to the returns of the underlying benchmark. In addition to the risks associated with the specific benchmark, ETN holders are also subject to various counterparty concerns. In this respect, the value of an ETN may be adversely impacted by a downgrade to the issuer's credit rating and/or an unwillingness or inability of the issuer to perform its contractual obligations.

## **Item 9. Disciplinary Information**

BWA 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 of a Broker/Dealer**

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Certain of the Firm's Supervised Persons are registered representatives of PKSI and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

### **Licensed Insurance Agents**

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Several 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 BWA 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.

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

BWA 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. BWA'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 BWA'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 with 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 BWA to request a copy of its Code of Ethics.

## Item 12. Brokerage Practices

### Recommendation of Broker/Dealers for Client Transactions

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For investment management accounts, BWA generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services™ ("Schwab") and/or TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("TD"), an unaffiliated SEC-registered broker-dealer and member FINRA/SIPC/NFA. Schwab and TD offer to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. BWA participates in institutional customer programs offered by Schwab and TD and receives some benefits from those Financial Institutions through the Firm's participation in the programs.

Factors which BWA considers in recommending Schwab, TD and/or any other Financial Institution to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab and/or TD 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 and/or TD may be higher or lower than those charged by other Financial Institutions.

The commissions paid by BWA's clients, who are not participating in the Wrap Program, to Schwab and/or TD 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 BWA 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. BWA 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 BWA 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 BWA does not have to produce or pay for the products or services.

BWA periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

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

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BWA may receive without cost from Schwab, TD or other Financial Institutions, computer software, research and related systems support, which allow BWA to better monitor and manage client accounts maintained therein. BWA may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at those Financial Institutions. BWA may receive the following benefits from TD and/or Schwab through the institutional programs:

- 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;
- Access to an electronic communication network for client order entry and account information; and

- The ability to deduct advisory fees directly from client accounts.

TD may additionally provide the Firm with discounts on compliance, marketing, research, technology, practice management products or services provided to the Firm by third party vendors, and may fund business consulting and professional services received by BWA's related persons. The Firm receives certain additional economic benefits ("Additional Services") from TD that may or may not be offered to any other independent investment advisers participating in the institutional program. Specifically, the Additional Services include Envestnet Tamarac. TD provides the Additional Services to BWA in its sole discretion and at its own expense, and BWA does not pay any fees to TD for the Additional Services. BWA and TD have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

BWA's receipt of Additional Services from TD raises potential conflicts of interest. In providing Additional Services to BWA, TD most likely considers the amount and profitability to TD of the assets in, and trades placed for, BWA's client accounts maintained at TD. TD has the right to terminate the Additional Services Addendum, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD, BWA may have an incentive to recommend to its clients that the assets under management by BWA be held in custody with TD and to place transactions for client accounts with TD. BWA's receipt of Additional Services does not diminish its duty to act in the best interest of its clients, including to seek best execution of trades for client accounts.

In addition to the conflicts of interest set forth above, some of the products and services made available by Schwab and TD may benefit BWA but not its clients. These products or services may assist BWA in managing and administering client accounts, including accounts not maintained at Schwab or TD. Other services made available by Schwab and TD are intended to help BWA manage and further develop its business enterprise. The benefits received by BWA's participation in the institutional programs offered by Schwab and TD do not depend on the amount of brokerage transactions directed to those Financial Institutions. Further, there is no direct link between BWA's participation in the institutional programs and the investment advice the Firm gives to its clients, although BWA receives economic benefits that are typically not available to retail investors.

The software, research and related systems support may benefit BWA, but not its clients directly. In fulfilling its duties to its clients, BWA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that BWA's receipt of economic benefits from a Financial Institution create a conflict of interest since these benefits may influence the Firm's choice of one Financial Institution over another that does not furnish similar software, systems support or services.

## **Brokerage for Client Referrals**

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BWA 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 BWA 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 BWA (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, BWA 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 PKSI. These Supervised Persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless PKSI provides written consent. Therefore, clients are advised that certain Supervised Persons may be restricted to conducting securities transactions through PKSI if they have not secured written consent from PKSI to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKSI, these Supervised Persons are prohibited from executing securities transactions through any broker-dealer other than PKSI 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 BWA decides to purchase or sell the same securities for several clients at approximately the same time. BWA 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 BWA’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 BWA'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. BWA 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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BWA monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by a Principal and/or investment adviser representative of the Firm. All investment advisory clients are encouraged to discuss their needs, goals and objectives with BWA 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 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. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from BWA 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 BWA or an outside service provider.

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

### **Client Referrals**

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In the event a client is introduced to BWA 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 BWA'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 BWA'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 BWA 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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In addition, BWA is required to disclose any relationship or arrangement where it receives an economic benefit from a non-client party for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## **Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize BWA to debit client accounts for payment of the Firm's fees and to directly remit 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 BWA.

In addition, as discussed in Item 13, BWA may also send or post to a client portal periodic supplemental reports to for clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from BWA.

## Item 16. Investment Discretion

BWA may be given the authority to exercise discretion on behalf of clients. BWA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. BWA is given this authority through a power-of-attorney included in the Advisory Agreement. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). BWA 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

BWA generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## Item 18. Financial Information

BWA 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.