

# RWM Asset Management, LLC

Smart Assets Optimizer and Edge Solutions are divisions of RWM Asset Management, LLC

## **ADV Part 2A, Firm Brochure Dated December 18, 2018**

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**This brochure provides information about the qualifications and business practices of RWM Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (352) 343-2700 or [truggie@ruggiewealth.com](mailto:truggie@ruggiewealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about RWM Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to RWM Asset Management, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## Item 2           Material Changes

This Brochure has been materially amended since our last annual amendment filing on March 31, 2017 at Items 4 and 5 to disclose a new fee range. Although not material, disclosure in Items 4, 5 and 7 have been enhanced regarding retirement account fiduciary status and fee differentials.

Since the Annual Amendment filed on March 30, 2018, this Brochure has been amended at Item 4 to disclose additional information regarding collective investment funds and to indicate that the Smart Asset Optimizer program is closed to new clients. Items 4 and 5 have been amended to provide additional clarification regarding fees. Items 5 and 12 have been updated to include Fidelity Brokerage Services as a recommended custodian. Item 10 has been updated to disclose that certain representatives of Registrant are also investment adviser representatives of CWM, LLC, a Registered Investment Adviser. CWM, LLC is owned by Carlson Group Holdings, LLC, of which Panormos Capital Group, LLC is 1% owner.

**ANY QUESTIONS: RWM Asset Management LLC's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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

- A. RWM Asset Management, LLC (the “Registrant”) is a limited liability company formed on November 6, 2012 in the State of Florida. The Registrant became registered as an Investment Adviser Firm in May 2014. The Registrant is solely owned by Thomas Ruggie. Mr. Ruggie is also the Registrant’s Managing Member.
- B. As discussed below, the Registrant offers to its clients investment advisory and consulting services.

#### **EMPLOYER-SPONSORED RETIREMENT PLANS**

Investment management and advisory services are also provided to qualified employer-sponsored retirement plans where the Registrant may serve as a fiduciary under ERISA §§3(21) and 3(38).

As an ERISA §3(21) fiduciary, the Registrant acts in a non-discretionary capacity, making recommendations to the plan sponsor regarding the plan investments, assists in the development of an investment policy statement based upon the plan’s goals and objectives; provides participant education; advises the plan regarding its fiduciary obligations; and assists with ongoing plan operations, as needed.

Where the Registrant has been appointed an investment manager under ERISA §3(38), the Registrant possesses discretionary authority to select, monitor and replace the investment options made available to the plan participants according to the goals and investment objectives of the plan. The Registrant will also design and maintain asset allocation model portfolios comprised of designated investment alternatives available to the plan participants. Plan participants have the option to select an asset allocation model portfolio or construct their own customized portfolio of funds.

#### **SMART ASSET OPTIMIZER [Program closed to new investors]**

Registrant provides portfolio management services through an automated, online investment management platform called the Smart Assets Optimizer, (the “Program”). Through the Program, the Registrant offers clients a range of investment strategies we have constructed and manage and a cash allocation. The client’s portfolio is held in a brokerage account opened by the client at TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC. The Registrant pays an annual royalty fee to Jemstep between 0.15% and 0.08% of the assets placed under the Registrant’s management on the Program. The Registrant charges its Program clients from .65% to 2.00% of assets under management on an annual basis, prorated, and paid quarterly in arrears. The Registrant has an incentive to place client assets in the Program to reduce the annual royalty fee payable to Jemstep. Clients are not required to invest in the Program.

#### **MISCELLANEOUS**

**No Financial Planning or Non-Investment Consulting/Implementation Services.** The Registrant does not provide financial planning and related consulting services regarding matters, such as estate planning, tax planning, insurance, etc. **Please Note:** Registrant does not serve as an attorney, accountant, or insurance agency, and no portion of our services

should be construed as legal, accounting, or insurance implementation services.

Accordingly, we **do not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). You are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

### **Collective Investment Funds**

Registrant also manages three separate Collective Investment Trusts known as Conservative Edge, Growth Edge and Moderate Edge. The trustee to these funds is Alta Trust Company. These are available for investment only by eligible retirement plans and entities. Prospective investors should be aware that these funds are not FDIC-insured or guaranteed by the Registrant or Alta Trust Company. The funds are not mutual funds and are exempt from registration and regulation under the Investment Company Act of 1940, and their units are not registered under the Securities Act of 1933, or applicable laws of any state or other jurisdiction. Unit holders of the funds are not entitled to the protections of the Investment Company Act of 1940. Investors should carefully consider an investment in these funds

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), the Registrant maintains cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee. **Please Further Note:** When the account is holding cash positions, those cash positions will be subject to the same fee schedule as set forth below. **The Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.**

**Please Note: Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest. Registrant will earn new (or increase its current) compensation as a result of the rollover. No client is under any obligation to rollover retirement plan assets to an account managed by Registrant. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

**ERISA / IRC Fiduciary Acknowledgment.** If the client is: (i) a retirement plan (“Plan”) organized under ERISA; (ii) a participant or beneficiary of a Plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (iii) the beneficial owner of an IRA acting on behalf of the IRA; or (iv) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then the Registrant represents that it and its representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by the Registrant or its representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

**Please Note: Fee Differentials.** As discussed below at Item 5, we shall generally price our advisory services up to 2.00% of assets under management based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered, and client negotiations. As a result of these factors, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. Before engaging Registrant to provide investment advisory services, clients are required to enter into a discretionary or non discretionary Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided. ANY QUESTIONS: Registrant’s Chief Compliance Officer, Thomas Ruggie, remains available to address any questions regarding Fee Differentials.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, revising Registrant’s previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant’s written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. The Registrant shall provide investment management services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant’s services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2017, the Registrant had \$442,158 in assets under management on a discretionary basis and \$18,753,240 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

A.

### EMPLOYER-SPONSORED RETIREMENT PLANS

The fee for services rendered to qualified employer-sponsored retirement plans are dependent on a variety of factors, including, but not limited to, the size of the plan, location of the plan and whether travel is required, number of requested meetings or participant education seminars, and the scope of work required to onboard and implement the plan's investment options. All compensation and specific fee details will be predetermined and disclosed in the investment advisory agreement with the plan sponsor at account inception. The Registrant's fee may be priced up to 2.0%

When the Registrant serves as a plan's investment manager and works jointly with independent registered investment advisers who serve as the plan's ERISA §3(21) fiduciary, the Registrant's fees will be separately negotiated with each plan sponsor, but will generally be based upon the assets under management as of the end of the last day of the previous quarter.

The Registrant does not control the timing of fee calculations by a plan's independent third party administrator which may calculate the fees based upon account balances on a date other than the end of a calendar quarter. The third party administrators to the plans are independent from and not affiliated with the Registrant, and are selected by each plan client to provide administrative and/or record keeping services.

### SMART ASSETS OPTIMIZER

Registrant provides portfolio management services through an automated, online investment management platform called the Smart Assets Optimizer, (the "Program"). Through the Program, the Registrant offers clients a range of investment strategies we have constructed and manage and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at TD Ameritrade. The Registrant pays an annual royalty fee to Jemstep between 0.15% and 0.08% of the assets placed under the Registrant's management on the Program. The Registrant charges its Program clients from .65% to 2.0% of assets under management on an annual basis, prorated, and paid quarterly in arrears. The Registrant has an incentive to place client assets in the Program to reduce the annual royalty fee payable to Jemstep. Clients are not required to invest in the Program.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise, the Registrant shall generally recommend that Fidelity Brokerage Services, LLC (Fidelity) Mid Atlantic Capital Corporation ("*Mid Atlantic*"), Charles Schwab & Co. ("*Schwab*") and/or TD Ameritrade ("*TD Ameritrade*") serve as the broker- dealer/custodian for investment management assets. Broker-dealers such as *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade* which are

unaffiliated with Registrant, charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Asset Based Pricing Limitations. Registrant may recommend that its clients enter into an asset based pricing agreement with the account custodian. Under an asset based pricing arrangement, the amount that the client will pay the custodian for account commission/transaction fees is based upon a percentage (%) of the market value of the client's account (generally, the greater the market value, the lower the %). This differs from transaction-based pricing, which assesses a separate commission/transaction fee against the client's account for each account transaction. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by the client to the account custodian. Registrant does not receive any portion of the asset based transaction fees payable by the client to the account custodian. Registrant continues to believe that its clients may benefit from an asset based pricing arrangement. The client can request at any time to switch from asset based pricing to transactions based pricing, however, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by the client to switch to transaction based pricing could prove to be economically disadvantageous.

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant does not generally require an annual minimum fee or asset level for investment services. Registrant, in accordance with all applicable regulations and at its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

If the client determines to engage Registrant to provide investment advisory services, Registrant's annual investment advisory fee shall vary (generally, up to 2.00 %) based upon various factors, including the total amount of assets placed under management/advisement. **Please Note: Fee Differentials.** Because we shall generally price our advisory services based upon various objective and subjective factors, our clients could pay diverse fees based upon a combination of factors, including but not limited to the market value of their assets, the complexity of the engagement, the level and scope of the overall investment advisory services to be rendered, and negotiations, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees (*Also See* Item 7 below) All clients and prospective clients should be guided accordingly. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions regarding Fee Differentials.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients are retirement plans and individuals participating in the Smart Assets Optimizer Program. The Registrant does not generally require an annual minimum fee or asset level for investment services. The Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding advisory fees.

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

- A. The Registrant may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)



**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

- B. The Registrant's method of analysis and investment strategy does not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various exchange traded funds and mutual funds, individual equities (stocks) and debt instruments (bonds) on a discretionary basis in accordance with the client's designated investment objective(s).

The Registrant may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its asset allocation programs (i.e. Aggressive, Moderately Aggressive, Moderate, and Conservative) as designated on the Investment Advisory Agreement. Registrant's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Registrant's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Registrant's management of client assets:

1. Initial Interview – at the opening of the account, the Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly the Registrant shall notify the client to advise the Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;

4. Annual Contact – at least annually, the Registrant shall contact the client to determine whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – the Registrant shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain securities;
8. No Pooling – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Registrant believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant’s annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant’s annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). **Please Note:** Registrant’s investment programs may involve above-average portfolio turnover which could negatively affect upon the net after-tax gain experienced by an individual client in a taxable account

## **Item 9           Disciplinary Information**

Neither the Registrant nor any of its supervised persons have been the subject of a disciplinary action.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Insurance Agents.** Certain of the Registrant’s representatives, in their individual capacities, are licensed insurance agents. Neither the Registrant nor its representatives shall recommend the purchase of an insurance commission product to any retirement plan client. No client is under any obligation to purchase any insurance product from the Registrant’s representatives. **Please Note:** To the extent applicable,

clients may purchase insurance products through other, non-affiliated broker dealers or agents. The Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Lion Street**—Thomas Ruggie has a less than one percent (1.00%) ownership interest in Lion Street, a multi-service financial and insurance firm. Lion Street offers price point sensitive alternatives to traditional product providers. As noted above, certain of RWM's related persons are also licensed insurance agents. RWM and these individuals intend to refer clients to Lion Street for insurance products. The recommendation by Mr. Ruggie or any related persons that a client engage the services of Lion Street presents a conflict of interest, as the receipt of residual compensation, by Mr. Ruggie, as an owner of Lion Street, may provide an incentive to recommend Lion Street's insurance services, rather than on a particular client's need. No client is obligated to engage Lion Streets services and clients are reminded that they may engage the trust services of other, non-affiliated service companies.

**Affiliated Registered Investment Adviser: Ruggie Capital Group, Inc.** The Registrant's owner, Thomas Ruggie, also owns Ruggie Capital Group, Inc. ("RCG") (CRD# 145595), doing business as Ruggie Wealth Management ("RWM") and RW Direct ("RWD") an affiliated SEC registered investment advisor firm.

**Affiliated Registered Investment Adviser: Asset Advisors of America, LLC** The Registrant's owner, Thomas Ruggie, is also a 40% owner of Asset Advisors of America, LLC a state registered investment adviser firm (CRD# 146566) ("AAA"). The Registrant may receive client referrals from AAA. This presents a conflict of interest as Mr. Ruggie and the Registrant, may receive a direct economic benefit from any such referral. **The Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Certain members of Registrant are also investment adviser representatives of CWM, LLC, a registered Investment Adviser. CWM, LLC is owned by Carlson Group Holdings, LLC, of which Panormos Capital Group, LLC is 1% owner.**

**Conflict of Interest:** The recommendation by RWM or its representatives that a client seek investment advisory services from CWM, LLC presents a potential conflict of interest, as RWM could have the incentive to make such a recommendation based on fees received from that client, rather than on a particular client's need. Accordingly, RWM and its representatives do not generally refer clients CWM to receive investment advisory services. Clients are reminded that they are not under any obligation to pursue investment advisory services from CWM, LLC. RWM's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

- D. The Registrant does not recommend or select other investment advisors for its clients for which it receives a fee.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Fidelity*, *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Agreement setting and a separate custodial/clearing agreement with each designated broker-dealer/ custodian.

Factors that the Registrant considers in recommending *Fidelity*, *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Fidelity*, *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment- related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management- related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity*, *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade* as a result of this

arrangement. There is no corresponding commitment made by the Registrant to *Fidelity, Mid Atlantic, Schwab, and/or TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement creates.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account

reviews are conducted on a periodic basis by the Registrant's representatives, at least annually. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an economic benefit from *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Mid Atlantic*, *Schwab*, and/or *Ameritrade*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Mid Atlantic*, *Schwab*, and/or *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest any such arrangement creates.**

- B. Neither the Registrant nor any of its representatives compensates any person other than its supervised persons for client referrals.

#### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory

fee calculation.

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

The Registrant provides investment advisory services, directly and through sub-advisory relationships, on a discretionary basis. Prior to the Registrant assuming discretionary authority over an account, the client shall be required to execute an Agreement, naming the Advisor as the client's attorney and agent in fact, granting the Advisor full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account. The sub-advisory agreement between the Advisor and the Registrant provides the Registrant with discretion when managing sub- advisory assets.

To the extent applicable, restrictions on the Registrant's discretionary authority may be imposed **in writing** by the Advisor, at any time.

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

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

#### **Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Thomas Ruggie, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**