



BORDEAUX  
WEALTH ADVISORS

## **FORM ADV - PART 2A**

**INVESTMENT ADVISER BROCHURE**

**MAY 2019**

3000 SAND HILL ROAD, 1-150

MENLO PARK, CA 94025

PHONE: (650) 289-1105 • FAX: (650) 472-8016

[www.BordeauxWealthAdvisors.com](http://www.BordeauxWealthAdvisors.com)

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This brochure provides information about the qualifications and business practices of Bordeaux Wealth Advisors LLC ("**BWA**"). If you have any questions about the contents of this brochure, please contact us at (650) 289-1105.

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 BWA also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References to BWA as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

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## Item 2. Material Changes

### Material Changes Since the Last Update

The following material changes to the operations of Bordeaux Wealth Advisors LLC ("**BWA**") have occurred since last annual filing of this Form ADV Part 2A (the "**Brochure**") on March 29, 2018:

In July 2018, Focus Financial Partners Inc. conducted an initial public offering ("IPO") of shares of common stock. Focus Financial Partners Inc. is the sole managing member of Focus Financial Partners, LLC and as of the IPO, owned approximately two-thirds of the economic interest in Focus Financial Partners LLC. Because BWA is an indirect, wholly-owned subsidiary of Focus Financial Partners LLC, BWA is now an indirect, majority-owned subsidiary of Focus Financial Partners Inc., a public company. Item 4 has been revised to reflect this new ownership structure.

In January 2019 BWA entered into a client benefit agreement with Charles Schwab & Co., Inc. ("Schwab"). Under the client benefit agreement Schwab has agreed to pay limited third-party vendor invoices on behalf of BWA for qualifying costs such as legal services, compliance services, technology and research services and marketing and consulting services. Pursuant to the client benefit agreement Schwab has agreed to reimburse up to \$15,000 of qualifying third-party vendor invoices. Item 12 has been revised to provide information regarding this client benefit agreement.

In January 2019 BWA entered into a client solicitation agreement with an unaffiliated person. The client solicitation agreement provides for compensation to the unaffiliated person for client referrals to BWA. Item 14 has been revised to provide information regarding this client solicitation agreement.

In May 2019 BWA became a participant in the Schwab Advisor Network® (the "Service"). Under the terms of the Service, BWA has agreed to pay Schwab referral fees for accounts referred by the Service custodied at Schwab, and Non-Schwab custody fees for those accounts referred by the Service but custodied elsewhere. Item 12 has been revised to provide information regarding this referral arrangement.

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## Item 4. Advisory Business

### Background of Bordeaux Wealth Advisors

Bordeaux Wealth Advisors LLC (“**BWA**”) registered as an investment adviser with the U.S. Securities and Exchange Commission in March of 2017 after Thomas C. Myers and David K. Murdock (“**BWA Managing Partners**”) decided to spin-out of their prior firm and establish BWA.

### Focus Financial Partners, LLC

BWA is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, BWA is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25%-or-greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2018, investment vehicles affiliated with Stone Point Capital LLC (“Stone Point”) had a greater-than-25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2018, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. (“KKR”) had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

BWA is managed by Thomas C. Myers and David K. Murdock (“BWA Principals”), pursuant to a management agreement between BWA Management Company LLC and BWA. The BWA Principals serve as officers of BWA and are responsible for the management, supervision and oversight of BWA.

BWA offers wealth advisory services and assets under management totaling \$2,288,738,212 as of May 1, 2019 which consisted of \$529,675,259 on a non-discretionary basis and \$1,759,062,952 on a discretionary basis.

While this brochure generally describes the business of BWA, certain sections also discuss the activities of its personnel, including its officers, partners, directors, employees, and others

who may provide investment advice on behalf of BWA and are subject to BWA's supervision or control.

### **Types of Advisory Services Offered**

BWA provides wealth management services that include personalized financial counseling and discretionary and non-discretionary investment advisory services to high net worth individuals (i.e., investment assets in excess of \$5 million) on a fee-only basis. BWA may also provide these services to trusts, estates, private foundations, endowments, businesses and qualified retirement plans.

Comprehensive financial and investment advice is provided through consultation with each client and may include: the determination of financial objectives, identification of financial issues, analysis of cash flow and insurance needs, track and report on financial assets, and counsel related to education funding, retirement planning, risk management, and tax and estate planning. Investment advice is an integral part of the comprehensive financial counseling services provided.

BWA provides each client with a written evaluation of their initial financial situation at the outset of the relationship, often with an accompanying net worth statement. BWA personnel also perform periodic reviews of client accounts and communicate the results to clients while also recommending specific courses of action that need to be taken in connection with BWA's recommendations. More frequent reviews may occur but are not necessarily communicated to the client unless changes are recommended. BWA may provide ad-hoc or project-based consultation to clients on an hourly basis if it deems appropriate under the circumstances.

Neither BWA nor any of its personnel receive commissions, finder's fees, or other remuneration from the purchase or sale of any products recommended by BWA, including but not limited to annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products.

Clients may engage other professionals, such as lawyers, accountants, or insurance agents, on an as-needed basis. BWA's policy is to fully disclose all conflicts of interest and will do so in the unlikely event they arise.

The initial meeting between a prospective client and BWA, which may be conducted by telephone, is free of charge and considered an exploratory interview to determine the extent to which financial counseling and investment advice may be beneficial to the client.

BWA is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. BWA is also a fiduciary under the Internal Revenue Code (the "IRC") with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners

(collectively, “Retirement Account Clients”). As such, BWA is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a “PTE”).

A conflict of interest arises and the prohibited transaction rules are implicated when BWA recommends that an ERISA plan participant take a distribution from an ERISA Plan and roll it over to an IRA that BWA advises or if BWA recommends that an IRA owner transfer his IRA to an IRA that BWA advises because BWA will receive compensation that it would not have received absent the recommendation – i.e., the IRA advisory fee. When BWA engages in this transaction, it relies on the PTE known as the Best Interest Contract Exemption or BICE which requires compliance with the “impartial conduct standards.” The impartial conduct standards are designed to mitigate conflicts of interest by requiring that investment advice be in the “best interest” of the Retirement Account Client, that advisers not make any materially misleading statements and not charge a fee that exceeds a reasonable amount. The best interest standard requires that advisers act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use, based on the investment objectives, risk tolerance, financial circumstances and needs of the Retirement Account Client. This mirrors the prudent man standard of conduct and duty of loyalty found in ERISA.

### **Tailored Services**

BWA’s financial counsel and investment advice is customized and tailored to the unique goals, objectives and needs of each client. The planning process begins with an in-depth discovery of the client’s goals, objectives, and attitudes. The goals and objectives for each client are documented in writing and approved by the client. The stated goals and objectives for each client are reflected in the client’s overall recommended financial and investment program and advice that we provide on an ongoing basis.

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

BWA charges a “base fee” that is agreed upon for a period of one year (“Fee Period”) via discussions with each client on an annual basis. Typically, the base fee is fixed for the Fee Period (absent any material changes to the client’s circumstances or the advisory relationship), and the Fee Period is usually the calendar year.

BWA is free to increase or decrease the base fee between Fee Periods pursuant to individual discussions with clients, as stated above; however, BWA and any client may also agree to adjust the base fee on a more frequent basis.

Also, if there is a change in the client's circumstances or the advisory relationship within a Fee Period, or if the assumptions underlying the agreed-upon base fee prove to be inaccurate, BWA reserves the right to require that the client agree to an increase in the base fee for the remainder of that Fee Period. Similarly, in such circumstances, a client may request that BWA reduce the base fee for the remainder of the relevant Fee Period, and BWA – in its sole discretion – is free to grant or deny that request.

The amount of the base fee is determined by a variety of factors unique to each client. The primary factor in determining a client's fees is the amount of the client's assets under BWA's management but other relevant factors include: anticipated future assets to be managed by BWA, types of assets, complexity of services to be provided, service intensity, degree of custom work, time requirements, number of entities, number of family members served, ease of interaction, and travel requirements.

The base fee typically ranges from approximately 0.25% to approximately 1.1% of assets under management and the fee expressed as a percentage of AUM is generally lower for clients with higher amounts of assets under BWA's management; however, the factors listed above will also influence pricing and may cause the base fee to depart from that range in some cases.

BWA may agree to perform services for clients in addition to what is covered in their base engagement with BWA. Fees for these additional services are charged separately from the base fee described above. In all cases, the services to be provided and the fees for those services are determined and agreed upon in writing in advance with the client.

#### **Fee Minimums**

BWA's minimum annual fee is \$20,000. However, BWA may decide to waive this minimum fee in certain circumstances for strategic business reasons. BWA reserves the right to determine whether the client is a good fit for its services. The ultimate acceptance of new clients, and the annual fee to be charged, is determined by BWA's Management Committee.

#### **Rates for Ad Hoc or Project-Based Consultations**

The hourly rate for ad-hoc and project-based consultations for clients varies depending on the services provided and the experience, knowledge, and skill of those performing the services on behalf of BWA. Hourly rates generally range from \$150 to \$1,200 per hour.

#### **Termination Fees**

Except in an unusual circumstance and agreed upon in advance, BWA does not impose termination fees when the client relationship ends. Fees paid in advance to BWA are refunded to clients on a daily prorated basis from the date services are terminated through the end of the billing period.

### **Billing Method**

Clients are generally invoiced semi-annually in advance on a calendar year basis but are in no event required to pay fees six months or more in advance. The first invoice for new clients is prorated based on the number of days remaining in the billing period relative to the number of days in the entire year.

Clients may elect to have BWA deduct their fees directly from their brokerage account, but they are not required to do so. In the event this method of payment is chosen, the client and BWA will execute an agreement granting BWA the limited authorization to withdraw the amount of the contractually agreed-upon fees from the client's account and specifying the frequency of withdrawals. Clients are able to terminate this authorization at any time. Prior to withdrawing any funds from client accounts in payment of fees due, BWA will invoice the client no fewer than seven days prior to the proposed date of withdrawal to provide the client the opportunity to review the invoiced amount and follow up with any questions. The custodian of clients' accounts provides each client with a monthly statement indicating separate line items for all amounts disbursed from the client's account, including any fees paid to BWA.

### **Other Fees and Expenses**

Fees paid by clients to BWA for investment advice are separate and distinct from the asset management fees and expenses incurred within mutual funds, exchange-traded funds, separate account money managers, limited partnerships and other pooled investment vehicles that BWA may recommend. These fees and expenses are imposed directly by these investment products and are described in their prospectuses or other offering documents. Clients should be aware of and review the fees charged by any investment product in which their assets are invested together with the fees charged by BWA to fully understand the total cost of investing and help evaluate advisory services being provided.

Fees paid to BWA do not include brokerage commissions or other execution costs charged by the custodian or broker-dealer executing transactions for client accounts. Clients purchase investments that BWA recommends through the broker-dealer or custodian of their choice. See Item 12, Brokerage Practices, for more information. Custodians and brokerage firms may charge transaction fees and/or other similar charges on purchases or sales of certain mutual funds and exchange-traded funds. These costs are generally small and incidental to the purchase or sale of a security. Neither BWA, nor any of its owners or employees share in any commissions or transaction fees charged by our clients' custodians or brokerage firms.

### **Other Benefits or Compensation Received by BWA, its Owners, or its Employees**

As discussed in other areas of this Brochure—see Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—in the event one or more of BWA's



clients invest in a private investment vehicle recommended by BWA, the general partner or manager of the private investment vehicle may permit certain BWA personnel to invest their personal capital in the same private investment vehicle at or around the same time as the client in an amount that is less than the stated minimum investment amount that such BWA clients are required to make.

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

BWA is not compensated based on a share of the capital gains or capital appreciation of assets in client accounts, also known as performance-based fees.

## **Item 7. Types of Clients**

### **Description**

BWA generally provides financial counsel and discretionary and non-discretionary investment advice to individuals and families with substantial investment assets (i.e., typically in excess of \$5 million), high income professionals, and senior corporate executives. BWA may also provide similar services to trusts, estates, private foundations, endowments, businesses and qualified retirement plans.

Each client is required to execute a Wealth Advisory Services Agreement which outlines the scope and terms of the engagement including the annual fee to be paid to BWA. This agreement can be terminated as set forth in the agreement.

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

### **Methods of Analysis**

The first step in our process of providing comprehensive financial counseling and investment advisory services begins with gaining an in-depth understanding of the client's current financial situation, needs, goals, objectives, attitudes, constraints, past experiences with investments, tax-sensitivity, risk tolerance, and any other areas deemed relevant or important at the time. We then document our understanding of these items in a written report which is approved by the client. This report is updated over the course of the BWA-client relationship as the client's situation changes.

Based on our in-depth understanding of our client's goals and objectives, we develop a detailed financial and investment program, complete with specific asset allocation and investment policy recommendations intended to help the client achieve their overall financial goals and objectives.

## Investment Strategies

Overall investment strategies recommended to each client emphasize long-term ownership of a diversified portfolio of marketable and non-marketable investments intended to provide superior after-tax, inflation-adjusted, economic returns.

BWA generally recommends broad diversification via a long-term asset allocation strategy -- diversified both across asset classes and within asset classes -- in an effort to improve the risk and return potential of client portfolios. More specifically, we may recommend multiple asset classes (both liquid and illiquid), market capitalizations, market styles, and geographic regions to provide diversification.

Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, long-term wealth transfer objectives, time horizon and choice of custodian are all factors that influence BWA's investment recommendations.

Each portfolio maintains a long-term target asset allocation. At each periodic review, BWA reviews with the client the extent to which the actual allocation matches the target allocation. When we consider the variance excessive, the advisor will provide recommendations to the client to bring the actual allocation within an acceptable range of the target. This process, known as "rebalancing," offers a systematic and disciplined way to trim investment classes that have been in favor and redeploy capital to assets classes that have been out of favor.

Investment advice given to clients more often than not includes recommending long-term purchases or holding on to certain assets. However, other investment strategies that may also be recommended include short-term purchases, margin transactions, and options (including buying puts or selling covered calls).

Marketable asset classes recommended by BWA primarily include no-load mutual funds and exchange-traded funds ("**ETFs**"). Investment recommendations may also include: equities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, U.S. government securities, options contracts, and interests in limited partnerships.

Mutual fund and ETF recommendations are developed with the objective of selecting a well-diversified fund, or group of funds, with appropriate historical performance, at a level of volatility (risk) determined to be appropriate for each client.

Recommendations of investment vehicles are made based on data provided by various sources of third-party research and analytics.

BWA recommends third-party sponsored private investment vehicles that are not available to the broad public. To date, these private investment vehicles include diversified hedge funds, private investment real estate funds, diversified leveraged buyout fund of funds, distressed

opportunities and special situations fund of funds, venture capital fund of funds, and tax-sensitive inflation hedges.

BWA may also advise clients who are corporate officers or employees on the merits of diversifying large holdings of shares of the corporation's stock and on other forms of compensation which may be payable in the corporation's stock.

Neither BWA, nor any of its owners or employees, receives any compensation or fee-sharing from recommending any of these private investment vehicles or their investment managers.

Virtually every private investment vehicle is unique and requires a careful evaluation of the specific structure of the fund, management team's experience, and operational risks. The most important source of information for BWA's evaluation of a private investment vehicle is the private placement memorandum and the other offering documents prepared by the private investment vehicle's management.

The evaluation of privately negotiated investments and limited partnerships of all varieties is developed on the basis of an in-depth, fundamental evaluation of the business, management, markets, risks, liquidity, tax considerations and other factors affecting the economic and investment viability of each individual venture. BWA relies on various third-parties including investment research organizations, consultants, appraisers, accountants, and lawyers as necessary for specialized assistance.

BWA does not represent, imply or guarantee that the services or methods of analysis used by BWA to make investment recommendations can or will produce successful results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or crashes. No guarantees can be offered that a client's goals or objectives will be achieved. Past performance is not an indication or guarantee of future results.

Clients are advised that the recommendations offered by BWA are not legal or tax advice. Clients are advised to promptly notify BWA with respect to any changes in their financial situation and/or financial goals and objectives. Failure to do so could result in our recommendations not meeting the objectives and/or needs of the client.

### **Risk of Loss**

All investments and investment programs have a variety of risks that are borne by the investor. As such, there can be no assurance that any investment strategy will prove profitable or successful. Below is a summary of the material risks associated with the investment strategies that BWA typically recommends:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

- **Market Risk:** The price of an equity security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, changes in political, economic and social conditions may trigger adverse market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar will next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This risk is that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil production companies depend on the lengthy process of finding, extracting, transporting and then selling oil before they can generate a profit. As a result, an oil production company carries a higher risk of profitability than an electric utility company, which generates its income from a more stable stream of customers who buy electricity on a consistent basis..
- **Liquidity Risk:** Liquidity risk exists when particular investments are difficult to purchase or sell. Generally, securities are more liquid if they are traded on a national regulated exchange, but other investment options, such as Treasury Bills, are also highly liquid. Otherwise liquid investments may become illiquid after purchase, particularly during periods of market turmoil, making it difficult to sell the investment at an advantageous time or price. Because illiquid investments may be harder to value, especially in changing markets, only investors who are financially able to maintain their investment without a need for liquidity should consider investing in illiquid investments.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the payment obligations and terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Regulatory/Legislative Developments Risk:** Regulators and/or legislators may promulgate rules or pass legislation that places restrictions on, adds procedural hurdles to, affects the liquidity of, and/or alters the risk associated with certain investment transactions or the securities underlying such investment transactions. Such rules/legislation could affect the value associated with such investment transactions or underlying securities.
- **Cybersecurity Risk:** The computer systems, networks and devices used by BWA and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses,

network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches may cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future.

Prior to entering into a relationship with BWA, clients should carefully consider:

- Investing in securities involves risk of loss which clients should be prepared to bear;
- Securities markets experience varying degrees of volatility, which can become extreme in periods of severe market declines;
- Over time the client's assets may fluctuate and at any time may be worth more or less than the amount invested; and,
- Clients should only commit assets that they feel are available for investment on a long-term basis (typically 3 to 5 years or longer).

## **Item 9. Disciplinary Information**

BWA and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of BWA, its advisory business or the integrity of its management.

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

### **Affiliation with Focus**

As noted above in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Inc., and certain investment vehicles

managed by KKR collectively are minority owners of Focus LLC and Focus Inc. Because BWA is an indirect, wholly-owned subsidiary of Focus LLC and Focus Inc., the Stone Point and KKR investment vehicles are indirect owners of BWA. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of BWA.

BWA has recommended, and/or may in the future recommend, that clients invest in products or investment vehicles that are managed and/or sponsored directly by KKR, or Stone Point, or one of their respective affiliates (each vehicle, an “**Owner-Affiliated Fund**”). Any fees charged by Owner-Affiliated Funds will be paid indirectly or directly to KKR, Stone Point or their affiliates. Because Stone Point and KKR are each indirect owners of BWA, Stone Point, KKR, and/or their affiliates will benefit financially if BWA recommends investments in the Owner-Affiliated Funds. To mitigate the conflicts of interests that arise out of investments in an Owner Affiliated Fund, BWA will only recommend such investments in an Owner-Affiliated Fund if we determine they are in the best interests of the relevant client.

Additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

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

### **Code of Ethics**

BWA has adopted a Code of Ethics, which sets forth high ethical standards of business conduct, including compliance with all applicable federal and state securities laws, that we require of all of our personnel to adhere to and acknowledge in writing. BWA personnel are required to conduct themselves with integrity at all times and follow the principles and policies outlined in our Code of Ethics.

BWA believes that it owes clients an extraordinary level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of our own and our personnel.

BWA’s Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. In general, all BWA personnel must avoid investment activities and practices which may work to the detriment of clients, or activities which could impair employees’ ability to act in a fair and independent manner for clients.

A copy of BWA’s Code of Ethics is available to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

BWA does not purchase any securities or investments for its own account. Also, as a matter of practice, BWA typically does not recommend the purchase of individual stocks or bonds to

clients. In general, BWA recommends that clients invest in open-end mutual funds or broad index-based ETFs for their marketable securities exposure.

Owners and employees of BWA may buy, sell, or hold positions in securities at or around the same time that we recommend the same securities to our clients. However, in the event of a conflict of interest, such as a limited number of investment slots, our clients will be given preference over BWA personnel.

Any investments made by BWA personnel are made on the same terms as BWA's clients with the exception of private investment vehicles. In instances when one or more of our clients invests in a private investment vehicle recommended by BWA, the general partner or manager may permit BWA personnel to invest personal capital in such vehicle at or around the same time as the clients and in an amount that is less than the stated minimum investment amount that clients are required to make. Exceptions to the stated minimum investment typically only occur when the stated minimum investment is in excess of \$100,000.

### **Personal Trading**

BWA has established the following personal trading restrictions for all personnel:

1. No BWA personnel or family member of BWA personnel, or other related person of BWA personnel, may buy or sell securities for their personal portfolios based upon material non-public information.
2. BWA requires its employees to pre-clear transactions in certain securities with its Chief Compliance Officer (the "**CCO**"); including, but not limited to securities issued in an IPO, securities listed in a limited offering, and securities which may result in a conflict of interest. Further, no BWA personnel may transact in securities of companies listed on BWA's Restricted Securities List—a listing of companies where our clients are key officers or a member of the board of directors—without pre-clearance from the CCO. The CCO will determine, in consultation with the main advisor serving the affiliated client, whether we are in possession of any material non-public information.
3. All BWA personnel report their respective securities transactions on a quarterly basis and their securities holdings on an annual basis to the CCO through BWA's compliance reporting system. The CCO of BWA reviews all reported securities transactions and holdings to ensure compliance with the above policies.
4. Any individual not in observance of the above personal trading policies may be subject to disciplinary action, up to and including termination.

## Item 12. Brokerage Practices

### Selecting Brokerage Firms

Clients may utilize the broker-dealer or custodian of their choice. BWA does not require clients to utilize any particular broker-dealer or custodian. Clients will often request recommendations from advisors regarding potential brokerage firms for purchasing or selling securities.

BWA generally recommends custodians and brokerage firms known to them for the client's consideration but also bases recommendations upon such factors as the custodian and brokerage firm's general reputation and proven integrity, the quality of prior service provided to clients or others known to BWA, the custodian and brokerage firm's financial strength and conservatism, the estimated cost and convenience to the client, and any special expertise the custodian or brokerage firm may possess.

Most often, we recommend Schwab Advisor Services, a division of Charles Schwab & Co. ("**Schwab**"), a nationally recognized discount broker-dealer which also offer custody, record keeping, and reporting services.

We endeavor to recommend brokerage firms that we believe are in a position to offer our clients the best array of services appropriate for the client situation at a reasonable and competitive cost.

Schwab does not typically charge BWA clients separately for custody but rather are compensated through transaction-related fees for securities trades that are executed through or settle into client accounts. While transaction fees may be higher or lower than those charged by other broker-dealers, in general the transaction fees charged by the institutional groups at Schwab (that cater to independent financial advisers) are discounted rates that are typically lower than the rates available to the general public. BWA does not share in any transaction fees or commissions charged by our clients' custodians or broker-dealers.

### Soft Dollar and Other Benefits

Schwab offers services and products to BWA that are not otherwise available to BWA in connection with clients selecting these broker-dealers as custodians of their accounts. The services and products offered are used to service all, or a substantial number, of BWA's clients' accounts, including accounts not maintained at Schwab. These services and products include:

- access to client accounts, statements, confirmations and tax reports;
- facilitating execution of client-authorized transactions;
- recordkeeping and reporting;
- providing quotes, pricing and other market data;



- access to back office support personnel exclusively for investment adviser clients;
- access to institutional mutual funds that are otherwise generally available only to institutional investors, or would require a significantly higher minimum initial investment; and,
- facilitating payment of BWA's fees from client accounts, subject to client authorization.

Schwab also offers BWA discounts on regulatory compliance software, which may or may not benefit BWA's clients directly. In addition, Schwab makes available to BWA various other services intended to help BWA manage and further develop its business enterprise. These services include:

- regulatory compliance, legal and business consulting, and,
- publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing.

Further, Schwab has agreed to reimburse BWA for third-party vendor invoices for certain products and services up to \$15,000. The products and services eligible for invoice reimbursement by Schwab are as follows:

- Legal services related to drafting of the compliance manual, code of ethics, privacy policy and business continuity plan, as well as marketing collateral review;
- Compliance services related to the creation or modification of the compliance manual, code of ethics, privacy policy, and business continuity plan and mock audits;
- Technology and research services, which include, client relationship management systems, portfolio/account reporting and position reconciliation services, financial planning and market research software, technology solutions initial setup and integration and website design; and
- Marketing and consulting services related to:
  - o Growth strategies, branding, business succession;
  - o Marketing collateral creation;
  - o Client appreciation events hosted by BWA; and
  - o Internal technology training and employee development.

BWA, as a fiduciary, endeavors to act in its clients' best interests and thus BWA's recommendation (or suggestion) that clients maintain their assets in accounts at Schwab may be based in part on the benefit to BWA of the availability of some of the foregoing services and products and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, and thus our recommendation (or suggestion) may create a potential conflict of interest.

### **Schwab Advisor Network®**

BWA pays Schwab a referral fee, called a “Participation Fee,” on all referred clients’ accounts that are maintained in custody at Schwab. It also may pay a Non-Schwab Custody Fee on all referred client accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by BWA is a percentage of the fees the referred client owes to BWA or a percentage of the value of the assets in the referred client’s account, subject to a minimum Participation Fee. BWA pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab while a client of BWA. The Participation Fee is billed to BWA quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by BWA and not by the client. BWA has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs BWA charges clients with similar portfolios who were not referred through the Service.

BWA generally pays Schwab the Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, BWA has an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees are based on assets in accounts of BWA clients who were referred by Schwab and those referred clients’ family members living in the same household. Thus, BWA has incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit BWA’s fees directly from the accounts.

For accounts of BWA clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from BWA’s clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab’s fees for trades executed at other broker-dealers are in addition to the other broker-dealer’s fees. Thus, BWA may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. BWA nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than

trades for BWA's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **Directed Brokerage**

BWA does not direct trades or client transactions to specific brokers. Rather, clients choose their own brokerage firm or broker and are free to direct their investment transactions to the brokerage firm or broker of their choice.

## **Item 13. Review of Accounts**

### **Periodic Reviews**

Each client engagement is serviced by a team which is comprised of a Lead Wealth Advisor, a Supporting Wealth Advisor, and a Client Service Assistant. Lead Advisors have overall responsibility for the client relationship and are assisted by the Supporting Wealth Advisor and Client Service Assistant. Each Lead Wealth Advisor typically has between 30 and 60 client relationships that they are responsible for. The frequency and nature of the financial review varies from client to client, and is generally driven by client circumstances, changes in the client's financial situation, and the assets and investments currently held, or proposed. Client's accounts are reviewed in a sequence determined at the sole discretion of the Lead Wealth Advisor while most clients are reviewed at least once per year. All matters relevant to the client's individual financial situation are taken into consideration at the time of the review.

### **Review Triggers**

Factors that may trigger a review, other than a periodic review, include: extraordinary events (e.g., severe market turbulence), changes in the tax laws or major investment developments. Significant changes in a client's financial situation and/or objectives may also trigger a review.

### **Regular Reports**

BWA regularly provides oral and written reviews to clients regarding their overall financial situation, including their investments. All clients have at least one annual meeting and review, but most clients will typically have one to three meetings per year with their Lead Advisor.

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

### **Incoming Referrals**

BWA is a party to a client solicitation agreement with an unaffiliated person (the "Solicitor"). The client solicitation agreement provides for compensation to the Solicitor for

client referrals to BWA. BWA pays the Solicitor a percentage of the advisory fees that BWA receives from client relationships resulting from the Solicitor's efforts. Solicitation arrangements inherently give rise to potential conflicts of interest because solicitors receive an economic benefit for the recommendation of advisory services. BWA addresses these conflicts through this disclosure. Additionally, Rule 204-3 of the Advisers Act requires that solicitation arrangements be covered by a written agreement. Unaffiliated solicitors must provide clients with the copy of the adviser's disclosure brochure and a copy of the solicitor's disclosure statement describing the terms and a condition of the solicitation arrangement, including the compensation the solicitor is to receive. Solicited clients are required to sign an acknowledgement that they have received the foregoing disclosures.

### **Referrals Out**

BWA will make referrals to other service providers (CPAs, estate attorneys, private bankers, mortgage brokers, insurance brokers, etc.) when the need arises for a client. However, BWA does not accept referral fees or other forms of fee-sharing or remuneration from these other professionals in connection with referring clients (or prospective clients).

### **Other Compensation**

BWA receives an economic benefit from certain brokers in the form of the support services and products such brokers make available to BWA and their other customers.

These services and products, how they benefit us, and the related conflicts of interest are described above (see Item 12, Brokerage Practices). The availability of such services and products to BWA is not based on BWA providing particular investment advice, such as recommending the purchase of particular securities.

### **Focus Financial Partners**

BWA's parent company is Focus Financial partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include BWA, other Focus firms and external attendees. These meetings are first and foremost intended to provide training and education to personnel of the Focus firms, including BWA. However, the meetings also provide sponsorship opportunities for asset managers, asset custodians, vendors, and other third party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including BWA. Although the participation of Focus firm personnel in these meetings is not preconditioned on achieving a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause BWA to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future

meetings and not as revenue for itself or any affiliate, including BWA. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus in the last year:

- Blackrock, Inc.
- Fidelity Brokerage Services
- Orion Advisor Services, LLC
- Charles Schwab & Co.

## **Item 15. Custody**

BWA does not maintain physical custody of client funds and/or securities. As described in Item 12, Brokerage Practices, client assets are held at qualified custodians that provide account statements at least quarterly directly to clients at their address of record.

BWA is considered to have custody of client funds where a member of the firm serves as trustee or co-trustee for clients' trust accounts. BWA currently maintains a few accounts where an advisor serves in this capacity. In compliance with SEC regulations, BWA is subject to an annual surprise examination by an independent Certified Public Accountant, registered with the Public Company Account Oversight Board (PCAOB), who audits the accounts over which we are deemed to have custody as a result of serving in this capacity.

BWA is also deemed to have custody of client assets to the extent clients authorize BWA to debit their brokerage accounts for payment of fees.

Clients receive account statements directly from the independent qualified custodian of their account assets. These statements detail all account transactions, including any amounts paid to BWA. These are the client's official account statements for valuation, tax and all other purposes. We encourage each client to review the transactions, positions, and valuations contained in them for accuracy.

BWA frequently provides clients with net worth statements including personal balance sheets and asset allocation summaries. Net worth statements contain values for the client's various assets, including approximations of bank account balances provided by the client, as well as the value of land and other illiquid and hard-to-price assets (which do not appear on their brokerage statements) such as real estate and limited partnerships. The values used for real estate and limited partnership investments are provided by either the client or the general partner of the limited partnership in question. Clients are urged to compare the net worth statements and performance report statements provided by BWA to the account statements received directly from their custodians.

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

Clients have the option of providing BWA with investment discretion on their behalf, pursuant to a grant of a limited power of attorney contained in BWA's client agreement. By granting BWA investment discretion, a client authorizes BWA to execute securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Clients may impose reasonable limitations in the form of specific constraints on any of these areas of discretion with the consent and written acknowledgement of BWA.

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

BWA does not vote proxy statements on behalf of clients. BWA does not have (nor will it accept) the authority to vote client securities. Clients will receive their proxy statements or other solicitations directly from their custodian or a transfer agent and are responsible for voting their own proxies.

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

BWA is not required to include a balance sheet for its most recent fiscal year because we do not solicit fees of more than \$1,200 per client, six months or more in advance.

BWA is not aware of a financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over client accounts.

BWA has not been the subject of a bankruptcy petition.