

# Alpha Omega Wealth Management, LLC

SEC File Number: 801 –70136

## **ADV Part 2A, Firm Brochure** **Dated: September 25, 2019**

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This Brochure provides information about the qualifications and business practices of Alpha Omega Wealth Management, LLC (“Alpha Omega”). If you have any questions about the contents of this Brochure, please contact us at (804) 955-1600 or [leann@aowealth.com](mailto:leann@aowealth.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 Alpha Omega Wealth Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Alpha Omega Wealth 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**

There have been no material changes made to Alpha Omega Wealth Management, LLC's (hereinafter referred to as "Alpha Omega") Annual Amendment filing since last year's Annual Amendment filing on March 30, 2018.

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

- A. Alpha Omega is a limited liability company formed on February 27, 2009 in the State of Delaware (subsequent to which it converted to limited liability company under laws of the Commonwealth of Virginia). Alpha Omega became registered as an Investment Adviser Firm in April 2009. Alpha Omega is principally owned by Craig T. Forbes.

B.

##### **INVESTMENT ADVISORY SERVICES**

Alpha Omega provides discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. Alpha Omega's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Alpha Omega's management. Before engaging Alpha Omega to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Alpha Omega setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, Alpha Omega will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, Alpha Omega provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

##### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Alpha Omega may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging Alpha Omega to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Alpha Omega setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Alpha Omega commencing services. If requested by the client, Alpha Omega may recommend the services of other professionals for implementation purposes. The client is 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 from Alpha Omega. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not Alpha Omega, shall be responsible for the quality and competency of the services provided.

Please Also Note: Each client is advised that it remains the client's responsibility to promptly notify Alpha Omega if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing, evaluating or revising Alpha Omega's previous recommendations and/or services.

## RETIREMENT PLAN CONSULTING

Alpha Omega also provides retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, Alpha Omega may also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between Alpha Omega and the plan sponsor.

## MISCELLANEOUS

**Limitations of Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Alpha Omega may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance consulting, etc. Neither Alpha Omega, nor any of its representatives, serves as an attorney, accountant, or insurance agent and no portion of Alpha Omega's services should be construed as same. To the extent requested by a client, Alpha Omega may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). The client is 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 from Alpha Omega. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not Alpha Omega, shall be responsible for the quality and competency of the services provided. Please Also Note: Each client is advised that it remains the client's responsibility to promptly notify Alpha Omega if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing, evaluating or revising Alpha Omega's previous recommendations and/or services.

**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), Alpha Omega may maintain cash positions for defensive purposes. All cash positions and cash equivalents shall be included as part of assets under management for purposes of calculating Alpha Omega's advisory fee. Alpha Omega's Chief Compliance Officer, LeAnn Mitchell, remains available to address any questions that a client or prospective client may have regarding the above fee billing practice.

**Non-Discretionary Service Limitations.** Clients that determine to engage Alpha Omega on a non-discretionary investment advisory basis must be willing to accept that Alpha Omega cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Alpha Omega would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Alpha Omega will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Independent Managers.** Alpha Omega may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager(s)* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Alpha Omega shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Alpha Omega shall consider in recommending *Independent Manager(s)* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is separate form, and in addition to, Alpha Omega's advisory fee as set forth in Item 5.

**Retirement Rollovers- 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 Alpha Omega recommends that a client roll over their retirement plan assets into an account to be managed by Alpha Omega, such a recommendation creates a conflict of interest if Alpha Omega will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by Alpha Omega. Alpha Omega's Chief Compliance Officer, LeAnn Mitchell, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such rollover recommendation.

**Use of Mutual and Exchange Traded Funds.** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by Alpha Omega independent of engaging Alpha Omega as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Alpha Omega's initial and ongoing investment advisory services. Please Note: In addition to Alpha Omega's investment advisory fee described below, and transaction and/or custodial fees discussed below, 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).

**Portfolio Activity.** Alpha Omega has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Alpha Omega will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the client's investment objectives. Based upon these factors, there may be extended periods of time when Alpha Omega determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Alpha Omega will be profitable or equal any specific performance level(s).

**Client Obligations.** In performing its services, Alpha Omega 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 Alpha Omega if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Alpha Omega's previous recommendations and/or services.

- C. Alpha Omega shall provide investment advisory 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, Alpha Omega 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 Alpha Omega's services.
- D. Alpha Omega does not participate in a wrap fee program.
- E. As of December 31, 2018, Alpha Omega had \$356,715,183 in assets under management on a discretionary basis and \$59,602,942 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

Alpha Omega provides discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. Alpha Omega's negotiable annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Alpha Omega's management (between negotiable and 1.50%), to be charged quarterly in advance, as follows:

<u>Market Value of Portfolio</u>	<u>Equity/Balanced Account</u>	<u>Fixed Income Account</u>
From \$0 -- \$1million	1.50%	0.60%
\$1million -\$2.5million	1.25%	0.50%
\$2.5million -\$5million	1.00 %	0.50%
Over \$5million	Negotiable	

This fee schedule is not tiered and clients will pay a single percentage-based fee dependent on the aggregated value of the assets managed by Alpha Omega on the client's behalf.

Please Note: Alpha Omega's investment advisory fee is negotiable at Alpha Omega's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with Alpha Omega and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by Alpha Omega to any particular client could be available from other advisers at lower fees, and certain clients may have fees

different than those specifically set forth above. Alpha Omega's Chief Compliance Officer, LeAnn Mitchell, remains available to address any questions that a client or prospective client may have regarding the above fee determination.

### **FINANCIAL PLANNING AND CONSULTING SERVICES FEES (STAND-ALONE)**

Alpha Omega may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Alpha Omega's planning and consulting fees are negotiable, but generally range from \$1,000 to \$10,000 on a fixed fee basis, and from \$150 to \$250 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

### **RETIREMENT PLAN CONSULTING**

Alpha Omega provides retirement plan consulting services. Alpha Omega's consulting fee shall be based upon a percentage (%) of the market value of the plan assets that Alpha Omega is consulting on, but will generally be between negotiable and 0.85%.

- B. Clients may elect to have Alpha Omega's advisory fees deducted from their custodial account. Both Alpha Omega's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Alpha Omega's investment advisory fee and to directly remit that management fee to Alpha Omega in compliance with regulatory procedures. In the limited event that Alpha Omega bills the client directly, payment is due upon receipt of Alpha Omega's invoice. Alpha Omega 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 or an individual client's circumstances require, Alpha Omega shall generally recommend that Charles Schwab & Co. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* 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 Alpha Omega'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).

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (generally, *Schwab*).

- D. Alpha Omega'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. Alpha Omega does not generally require an annual minimum fee or asset level for investment advisory services. Alpha Omega, 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.).

The *Investment Advisory Agreement* between Alpha Omega 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, Alpha Omega 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 Alpha Omega, 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 Alpha Omega nor any supervised person of Alpha Omega accepts performance-based fees.

## **Item 7            Types of Clients**

Alpha Omega's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations.

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

- A. Alpha Omega may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - 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)

Alpha Omega 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.** Investing in securities involves risk of loss that clients should be prepared to bear. 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 Alpha Omega) will be profitable or equal any specific performance level(s).

- B. Alpha Omega's methods of analysis and investment strategies do not present any significant or unusual risks.



However, every method of analysis has its own inherent risks. To perform an accurate market analysis Alpha Omega must have access to current/new market information. Alpha Omega has no control over the dissemination rate of market information; therefore, unbeknownst to Alpha Omega, certain analyses may be compiled with outdated market information, severely limiting the value of Alpha Omega'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.

Alpha Omega's primary investment strategies - Long Term Purchases, 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, Alpha Omega primarily allocates client investment assets among various individual equity (stocks), debt (bonds), and fixed income securities, mutual funds and/or exchange traded funds and *Independent Manager(s)* on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s). (*See Independent Manager(s)* above).

Alpha Omega 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. Alpha Omega'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 Alpha Omega'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 Alpha Omega's management of client assets:

1. Initial Interview – at the opening of the account, Alpha Omega, 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 Alpha Omega shall notify the client to advise Alpha Omega 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, Alpha Omega 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 – Alpha Omega 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 Alpha Omega 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).

Alpha Omega 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, Alpha Omega’s annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Alpha Omega’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: Alpha Omega’s investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

#### **Item 9            Disciplinary Information**

Alpha Omega has not been the subject of any disciplinary actions.

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

- A. Neither Alpha Omega, 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 Alpha Omega, 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. Alpha Omega has no other relationship or arrangement with a related person that is material to its advisory business.
- D. Alpha Omega does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Alpha Omega maintains an investment policy relative to personal securities transactions. This investment policy is part of Alpha Omega’s overall Code of Ethics, which serves to establish a standard of business conduct for all of Alpha Omega’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, Alpha Omega also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Alpha Omega or any person associated with Alpha Omega.

- B. Neither Alpha Omega nor any related person of Alpha Omega recommends, buys, or sells for client accounts, securities in which Alpha Omega or any related person of Alpha Omega has a material financial interest.
- C. Alpha Omega and/or representatives of Alpha Omega *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Alpha Omega and/or representatives of Alpha Omega are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a 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 Alpha Omega 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 Alpha Omega’s clients) and other potentially abusive practices.

Alpha Omega has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Alpha Omega’s “Access Persons.” Alpha Omega’s securities transaction policy requires that an Access Person of Alpha Omega must provide the Chief Compliance Officer or his/her designee with a written report of 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 Alpha Omega selects; provided, however that at any time that Alpha Omega has only one Access Person, he or she shall not be required to submit any securities report described above.

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

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Alpha Omega recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Alpha Omega to use a specific broker-dealer/custodian), Alpha Omega generally recommends that investment management accounts be maintained at Charles Schwab & Co., Inc.. Prior to engaging Alpha Omega to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Alpha Omega setting forth the terms and conditions under which Alpha Omega shall

manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Alpha Omega does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (See Item 15 – Custody, below) Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (*Schwab*) a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with *Schwab*. *Schwab* will hold your assets in a brokerage account and buy and sell securities when we instruct them to do so. While we recommend that you use *Schwab* as custodian/broker, you will decide whether to do so and will open your account with *Schwab* by entering into an account agreement directly with them. We do not open that account for you, although we may assist you in doing so.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. Factors that Alpha Omega considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include the historical relationship with Alpha Omega, financial strength, reputation, execution capabilities, pricing, research, and service.

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest in the uninvested cash in your account in Schwab’s Cash Features Program.

In addition to commissions, Schwab would charge you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we might have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. There fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to “seek best execution” of your trades.

## **1. Schwab Advisor Services™**

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like Alpha Omega. Schwab Advisor Services™ provides Alpha Omega and its clients with access to its institutional brokerage –trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services and additional economic benefits (“Additional Benefits”). Some of those support services and Additional Benefits help Alpha Omega manage or administer its clients’ accounts while others help Alpha Omega manage and grow its business. As part of the Additional Benefits, Schwab may also provide monetary assistance to Alpha Omega or to third parties on Alpha Omega’s behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses.

Schwab's support services are generally available on an unsolicited basis (Alpha Omega does not have to request them) and at no charge to Alpha Omega. The availability of these services from Schwab benefits Alpha Omega because Alpha Omega does not have to produce or purchase them. Alpha Omega is not required to pay for Schwab's services. A more detailed description of Schwab's Additional Benefits follows.

## **2. Services that Benefit the Client**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Alpha Omega might not otherwise have access or that would require a significantly higher minimum initial investment by Alpha Omega's clients. Schwab's services described in this paragraph generally benefit Alpha Omega's clients and their accounts.

## **3. Services that May Not Directly Benefit the Client**

Schwab also makes available to Alpha Omega other products and services that benefit Alpha Omega but may not directly benefit Alpha Omega's clients or their accounts. These products and services assist Alpha Omega in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Alpha Omega may use this research to service all or some substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Alpha Omega's fees from Alpha Omega's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

## **4. Services that Generally Benefit Only Alpha Omega**

Schwab also offers other services intended to help Alpha Omega manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers; and
- marketing consulting and support.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Alpha Omega. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Alpha Omega with other benefits such as occasional business entertainment of its personnel.

## **5. Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. This creates an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business and Schwab's payment for services for which we would otherwise have to pay rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

Although the commissions and/or transaction fees paid by Alpha Omega's clients shall comply with Alpha Omega's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Alpha Omega determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Alpha Omega 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, Alpha Omega's investment management fee. Alpha Omega'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.

## **6. 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, Alpha Omega receives from *Schwab* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Alpha Omega to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Alpha Omega 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 Alpha Omega 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 Alpha Omega in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Alpha Omega to manage and further develop its business enterprise.

There is no corresponding commitment made by Alpha Omega to *Schwab* 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. **Alpha Omega's Chief Compliance Officer, LeAnn Mitchell, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

7. Alpha Omega does not receive referrals from broker-dealers.
8. Alpha Omega 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 Alpha Omega 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 Alpha Omega. 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 Alpha Omega 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 Alpha Omega. 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.

**Alpha Omega's Chief Compliance Officer, LeAnn Mitchell, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Alpha Omega provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Alpha Omega decides to purchase or sell the same securities for several clients at approximately the same time. Alpha Omega may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among Alpha Omega'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. Alpha Omega 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 Alpha Omega provides investment supervisory services, account reviews are conducted on an ongoing basis by Alpha Omega's Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise Alpha Omega 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 Alpha Omega on an annual basis.
- B. Alpha Omega 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. Alpha Omega may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Alpha Omega receives an economic benefit from *Schwab* in the form the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. In addition, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our clients' assets in accounts at Schwab reaches a certain amount. These products and services, how they benefit us, and the related conflicts of interest are described above (See Item 12 Brokerage Practices).

There is no corresponding commitment made by Alpha Omega to *Schwab* 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.

**Alpha Omega's Chief Compliance Officer, LeAnn Mitchell, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

- B. Alpha Omega does not compensate, directly or indirectly, any person, other than its employees for client introductions.

### Item 15      **Custody**

Alpha Omega 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. Alpha Omega may also provide a written periodic report summarizing account activity and performance. To the extent that Alpha Omega provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by



Alpha Omega with the account statements received from the account custodian. The account custodian does not verify the accuracy of Alpha Omega's advisory fee calculation.

**Please Also Note: Custody Situations:** Alpha Omega engages in other practices and/or services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of such practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

## **Item 16      Investment Discretion**

The client can determine to engage Alpha Omega to provide investment advisory services on a discretionary basis. Prior to Alpha Omega assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Alpha Omega as the client's attorney and agent in fact, granting Alpha Omega full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Alpha Omega on a discretionary basis may, at any time, impose restrictions, **in writing**, on Alpha Omega's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Alpha Omega's use of margin, etc.).

## **Item 17      Voting Client Securities**

Unless the client directs otherwise in writing, Alpha Omega is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). Alpha Omega shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. Alpha Omega shall monitor corporate actions of individual issuers and investment companies consistent with Alpha Omega's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Alpha Omega will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, Alpha Omega may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Alpha Omega may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Alpha Omega shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act.. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Alpha Omega voted on any specific proxy issue is also

available upon written request. Requests should be made by contacting Alpha Omega's Chief Compliance Officer, LeAnn Mitchell.

**Item 18          Financial Information**

- A. Alpha Omega does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Alpha Omega 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. Alpha Omega has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Alpha Omega's Chief Compliance Officer, LeAnn Mitchell, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**