

# Chico Wealth RIA, Inc d/b/a The O'Donnell Group Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Chico Wealth RIA, Inc. If you have any questions about the contents of this brochure, please contact us at (530) 564-0960 or by email at: [ryan@chicowealth.com](mailto:ryan@chicowealth.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 Chico Wealth RIA, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Chico Wealth RIA, Inc's CRD number is: 162562.*

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*Registration does not imply a certain level of skill or training.*

Version Date: 10/20/2021

## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Chico Wealth RIA, Inc on February 25, 2021 are described below. Material changes relate to Chico Wealth RIA, Inc's policies, practices or conflicts of interests.

- Chico Wealth RIA, Inc has updated their primary office address (front page).

## Item 3: Table of Contents

### Table of Contents

#### Item 1: Cover Page

Item 2: Material Changes .....	ii
Item 3: Table of Contents .....	iii
Item 4: Advisory Business .....	1
A. Description of the Advisory Firm.....	1
B. Types of Advisory Services.....	1
Investment Supervisory Services .....	1
Financial Planning.....	1
Services Limited to Specific Types of Investments .....	2
C. Client Tailored Services and Client Imposed Restrictions .....	2
D. Wrap Fee Programs.....	2
E. Amounts Under Management.....	2
Item 5: Fees and Compensation.....	3
A. Fee Schedule.....	3
Investment Supervisory Services Fees.....	3
Financial Planning Fees .....	4
Fixed Fees .....	4
Hourly Fees .....	4
B. Payment of Fees.....	4
Payment of Investment Supervisory Fees .....	4
Payment of Financial Planning Fees .....	5
C. Clients Are Responsible For Third Party Fees .....	5
D. Prepayment of Fees .....	5
E. Outside Compensation For the Sale of Securities to Clients.....	5
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	6
Minimum Account Size .....	6
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss .....	6
A. Methods of Analysis and Investment Strategies .....	6
Methods of Analysis .....	6
Investment Strategies.....	7
B. Material Risks Involved .....	7
Methods of Analysis .....	7
Investment Strategies.....	7
C. Risks of Specific Securities Utilized .....	7

Item 9: Disciplinary Information .....	9
A. Criminal or Civil Actions .....	9
B. Administrative Proceedings .....	9
C. Self-regulatory Organization (SRO) Proceedings .....	9
Item 10: Other Financial Industry Activities and Affiliations .....	9
A. Registration as a Broker/Dealer or Broker/Dealer Representative .....	9
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor .....	9
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests .....	9
D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections .....	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
A. Code of Ethics .....	10
B. Recommendations Involving Material Financial Interests .....	10
C. Investing Personal Money in the Same Securities as Clients .....	10
D. Trading Securities At/ Around the Same Time as Clients' Securities .....	11
Item 12: Brokerage Practices .....	11
A. Factors Used to Select Custodians and/or Broker/Dealers .....	11
1. Research and Other Soft-Dollar Benefits .....	11
2. Brokerage for Client Referrals .....	11
3. Clients Directing Which Broker/Dealer/Custodian to Use .....	12
B. Aggregating (Block) Trading for Multiple Client Accounts .....	12
Item 13: Reviews of Accounts .....	12
A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews .....	12
B. Factors That Will Trigger a Non-Periodic Review of Client Accounts .....	12
C. Content and Frequency of Regular Reports Provided to Clients .....	12
Item 14: Client Referrals and Other Compensation .....	13
A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	13
B. Compensation to Non – Advisory Personnel for Client Referrals .....	13
Item 15: Custody .....	13
Item 16: Investment Discretion .....	13
Item 17: Voting Client Securities .....	14
Item 18: Financial Information .....	14
A. Balance Sheet .....	14
B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients .....	14
C. Bankruptcy Petitions in Previous Ten Years .....	14
Item 19: Requirements For State Registered Advisers .....	14
A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background .....	14
B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any) .....	14
C. How Performance Based Fees are Calculated and Degree of Risk to Clients .....	15

D.	Material Disciplinary Disclosures for Management Persons of this Firm .....	15
E.	Material Relationships That Management Persons Have With Issuers of Securities (If Any) .....	15

## Item 4: Advisory Business

### A. Description of the Advisory Firm

Chico Wealth RIA, Inc. was organized in the state of California.

This firm has been in business since March 2012, and the principal owner is Ryan Timothy O'Donnell.

### B. Types of Advisory Services

Chico Wealth RIA, Inc. (hereinafter "CW") offers the following services to advisory clients:

#### *Investment Supervisory Services*

CW offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. CW creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

CW evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### *Financial Planning*

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

In offering financial planning, a conflict exists between the interests of the investment adviser and the interests of the client. The client is under no obligation to act upon the investment adviser's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the

investment adviser. This statement is required by California Code of Regulations, 10 CCR Section 260.235.2.

### ***Services Limited to Specific Types of Investments***

CW generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, REITs, and insurance products including annuities. CW may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

CW offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent CW from properly servicing the client account, or if the restrictions would require CW to deviate from its standard suite of services, CW reserves the right to end the relationship.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. CW does not participate in any wrap fee programs.

### **E. Amounts Under Management**

CW has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$275,301,597.00	\$19,000,000.00	December 2020

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
\$1,000,000 - \$2,999,999	1.00%
\$3,000,000 - \$4,999,999	0.75%
\$5,000,000 - \$9,999,999	0.60%
\$10,000,000+	0.50%

These fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Exhibit I of the Investment Advisory Contract. Fees are paid quarterly in advance and unused fees will be credited to the client should the client based on one of the two options below. Account minimums can be waived at the discretion of the adviser. Accounts under \$1,000,000 will be charged 1.25%

CW bills in advance and prorates for inflows and outflows for the prior quarter. These calculations are made at the end of each quarter to bill on assets that come into the account which were not billed on and assets that have left the account that were billed on. This proration is made based on the number of days left in the quarter. If a client terminates their relationship with us, all fees that were collected will be refunded to the client based on the following:

Option 1: Client may terminate their relationship with us and ask to have their account delinked at which point when the account is delinked we will calculate the unused fee based on the date our firm is no longer responsible for the assets.

Option 2: Client may terminate their relationship with us and ask to have us assist in the transition. Under this scenario, we will calculate the refund based on the date that all of the assets have been transferred out and the accounts are closed, or have a Zero balance.



Advisory fees are withdrawn directly from the client's accounts with client written authorization. Lower fees for comparable services may be available from other sources.

### ***Financial Planning Fees***

#### ***Fixed Fees***

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$5,000 and \$50,000. Fees are paid in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract. Lower fees for comparable services may be available from other sources.

The fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

#### ***Hourly Fees***

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is \$350. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract. Lower fees for comparable services may be available from other sources.

The fee refunded will be the balance of the fees collected in advance minus the hourly rate times the number of hours of work that has been completed up to and including the day of termination.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance.

Advisory fees may also be invoiced and billed directly to the client quarterly in advance. Clients may select the method in which they are billed.

### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

Fixed Financial Planning fees are paid via check in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by CW. Please see Item 12 of this brochure regarding broker/custodian.

### **D. Prepayment of Fees**

CW collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be deposited back into client's account within fourteen days.

The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter).

### **E. Outside Compensation For the Sale of Securities to Clients**

Neither CW nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

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

CW does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

CW generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Retirement plans

### *Minimum Account Size*

There is an account minimum, \$1,000,000.00, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

CW's methods of analysis include Efficient Markets Hypothesis and the Fama-French three factor model, all of which is directly related to Modern Portfolio Theory, in an attempt to maximize our returns for a given level of risk.

The efficient-market hypothesis (EMH) asserts that financial markets are "informationally efficient". In consequence of this, one cannot consistently achieve returns in excess of average market returns on a risk-adjusted basis, given the information available at the time the investment is made.

The Fama-French three factor model is a model designed by Eugene Fama and Kenneth French to describe stock returns. Fama and French were professors at the University of Chicago Booth School of Business. The traditional asset pricing model, known formally as the Capital Asset Pricing Model, CAPM, uses only one variable, beta, to describe the returns of a portfolio or stock with the returns of the market as a whole. In contrast, the Fama-French model uses three variables. Fama and French started with the observation that two classes of stocks have tended to do better than the market as a whole: (i) small caps and (ii) stocks with a high book-to-market ratio (BtM, customarily called value stocks, contrasted with growth stocks).

### *Investment Strategies*

CW uses long term trading and margin transactions strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### *Methods of Analysis*

The efficient-market hypothesis (EMH) asserts that financial markets are "informationally efficient". In consequence of this, one cannot consistently achieve returns in excess of average market returns on a risk-adjusted basis, given the information available at the time the investment is made.

The Fama-French three factor model is a model designed by Eugene Fama and Kenneth French to describe stock returns. Fama and French were professors at the University of Chicago Booth School of Business. The traditional asset pricing model, known formally as the Capital Asset Pricing Model, CAPM, uses only one variable, beta, to describe the returns of a portfolio or stock with the returns of the market as a whole. In contrast, the Fama-French model uses three variables. Fama and French started with the observation that two classes of stocks have tended to do better than the market as a whole: (i) small caps and (ii) stocks with a high book-to-market ratio (BtM, customarily called value stocks, contrasted with growth stocks).

### *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Margin transactions generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **C. Risks of Specific Securities Utilized**

CW generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize margin transactions. Margin transactions generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**Real Estate** funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk and interest rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. We do not advocate trading stocks on margin however from time to time. The primary risk of this strategy is that if the market value of the securities borrowed against decline in value the client may be asked to deposit additional capital or be forced to sell

securities to maintain certain ratios based on the amount borrowed and the amount of the account value.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither CW nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CW nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Ryan Timothy O'Donnell is also the Managing Agent of Christian Friedland, LLC and Friedland Bocktor Enterprises, LLC, real estate investment firms.

All material conflicts of interest under Section 260.238 (k) of the California Corporations Code are disclosed regarding the investment adviser, its representatives or any of its

employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

CW does not utilize nor select other advisers or third party managers, other than mutual funds. All assets are managed by CW management.

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

#### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

CW will recommend private placements that the supervised persons of CW also are invested in.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of CW may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of CW to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. CW will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of CW may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of CW to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. CW will always transact client's transactions before its own when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian, Charles Schwab & Co., Inc, was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. CW will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

#### ***1. Research and Other Soft-Dollar Benefits***

**Services That Benefit You.** 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 we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology.

#### ***2. Brokerage for Client Referrals***

CW receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.



### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

CW allows clients to direct brokerage. CW may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost client's money because without the ability to direct brokerage CW may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

CW maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing CW the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly only by Ryan Timothy O'Donnell, Managing Member. Ryan Timothy O'Donnell is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at CW are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Ryan Timothy O'Donnell, Managing Member. There is only one level of review and that is the total review conducted to create the financial plan.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

CW does not receive any economic benefit, directly or indirectly from any third party for advice rendered to CW clients.

### **B. Compensation to Non - Advisory Personnel for Client Referrals**

Solicitors are compensated by sharing in the management fee collected by CW from the solicited clients. The solicitor may have a conflict of interest in referring clients to CW. The management fee paid by the client does not increase because the client was obtained through a solicitor. The referred client will always receive a disclosure document that contains specific details regarding the arrangement and a copy of FIRM's Form ADV Part 2A. FIRM will always comply with Rule 206(4)-3 "Solicitors Rule".

CW will ensure solicitors are properly registered in all necessary jurisdictions and will not utilize the services of unregistered solicitors in any jurisdictions requiring solicitor registration.

## **Item 15: Custody**

CW, with client written authority, has limited custody of client's assets through direct fee deduction of CW's Fees only. If the client chooses to be billed directly by the Custodian, CW would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

For those client accounts where CW provides ongoing supervision, the client has given CW written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides CW discretionary authority via a limited power of attorney in the Investment Advisory Contract and in the contract between the client and the custodian.

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

CW will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

CW does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither CW nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

CW has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

CW currently has only one management person/executive officer; Ryan Timothy O'Donnell. Ryan Timothy O'Donnell's education and business background can be found on the Supplemental ADV Part 2B form.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Ryan Timothy O'Donnell's other business activities can be found on the Supplemental ADV Part 2B form.

**C. How Performance Based Fees are Calculated and Degree of Risk to Clients**

CW does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

**D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at CW or CW has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

**E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither CW, nor its management persons, has any relationship or arrangement with issuers of securities.