



**SWBC Investment Company**

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**Firm Brochure (Form ADV Part 2A)**

**March 30, 2024**

This brochure provides information about the qualifications and business practices of SWBC Investment Company. If you have any questions about the contents of this brochure, please contact us at 800-527-0066; or, [InvCompliance@swbc.com](mailto:InvCompliance@swbc.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.

SWBC Investment Company is a registered investment adviser. Registration with the United States Securities and Exchange Commission ("SEC") or any state securities authority does not imply a certain level of skill or training.

Additional information about SWBC Investment Company is available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Summary of Material Changes

This Item 2 discloses material changes that have been made to this Brochure since the last annual update filed March 30, 2023.

Since our last annual update of this Brochure, we have updated this Brochure to reflect that SWBC advises new Private Investment Funds (as defined herein) and to reflect the strategies, methods of analysis, terms and risk factors of such Private Investment Funds and plans to add Pershing as a qualified Custodian of the Firm. As previously disclosed, SWBC no longer offers the Automated VAULT program introduced by National Financial Services.

Effective March 1, 2024, SWBC Investment Company is no longer serving as sub-advisor to the AlphaCentric "SWBC" Municipal Opportunities Fund. Board members approved the closure of the fund and all assets were returned to all investors respectively.

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## Item 4 Advisory Business

### Description of Firm

SWBC Investment Company ("SWBC" or "Firm") is a Texas corporation, headquartered in San Antonio, TX. We are part of the SWBC Corporation group of financial services companies, and controlled by Charles Amato and Gary Dudley. Since 2007, we have been registered with the Securities and Exchange Commission as an investment adviser ("RIA").

SWBC delivers financial advice, manages portfolios and constructs financial plans for individuals through "Investment Adviser Representatives" or "IARs." SWBC also provides investment management services on a discretionary basis to registered mutual funds and to private pooled investment vehicles (such private pooled investment vehicles, the "Private Investment Funds") as discussed in more detail below.

This Brochure discusses the **Services** provided by SWBC, except for the **SWBC Wrap Fee Program**, which is described in detail within separate disclosure brochures: **SWBC Wrap Fee Program Brochure**, Form ADV Part 2A, Appendix 1. Persons interested in additional information about these programs, should contact their SWBC IAR, or contact SWBC at the contact information on the front of this Brochure. You may also click the link to the SEC's website on the front of this Brochure and use our firm CRD number to locate the disclosure brochure you desire.

As an organization, SWBC is committed to consumer sovereignty and transparency. We want to deliver services to clients under the arrangement preferred by the client. We also want the client to be aware of the capacity in which each SWBC financial professional is acting at the time of any transaction or of any professional engagement.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this Brochure, the words "we," "our," and "us" refer to SWBC and the words "you," "your," and "client" refer to you as either a client or prospective client of the Firm.

### Portfolio Management Services

As part of our portfolio management services, we can manage your portfolio internally or use one or more sub-advisers to manage a portion of your financial assets. The sub-adviser(s) may use one or more of their model portfolios to manage your account. We will regularly monitor the performance of your accounts managed by sub-adviser(s). We will share a portion of the advisory fee you pay with the sub-adviser(s); however, you will not pay the Firm a higher advisory fee as a result of our use of any sub-advisers.

As part of our portfolio management services, in addition to other types of investments (see disclosures below in this section), we may invest your assets according to one or more model portfolios developed by an unaffiliated investment manager. These models are designed for investors with varying degrees of risk tolerance, ranging from more aggressive investment strategies to more conservative investment strategies. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model.

In providing account management services, we can accept client restrictions on the specific securities or the types of securities that may be purchased for your account. However, at our direction, we can select sub-advisers specializing in portfolios that may avoid "sin stocks" and/or invest according to environmental, social and governance ("ESG") principles approved

by the client.

As an institution, SWBC prides itself on its customer centric focus. That is, SWBC is determined to deliver goods and services to its clients / customers in the manner preferred by the client / customer. The financial services industry is among the most rapidly evolving and innovative industries in the world. Advances in technology, communications and the science of asset management have created new delivery channels for financial advice. Among these investment options is so called “robo advice”. Robo advice is characterized by less personal service but generally reflects lower costs, lower account minimums and algorithmic implementation.

The highly automated, electronic delivery option previously available (being phased out) through SWBC was offered **only** online through an interactive website. As part of this Program, you must agree to accept electronic delivery of contracts, disclosure documents, prospectuses, statements, and other materials. The Program is only available to residents of the U.S., and is not available to foreign investors (individuals or entities) or U.S. citizens residing outside of the U.S. Regular and continuous Internet access is required to enroll in the Program and access all Program-related documents. You should not utilize this Program if you do not have regular and continuous Internet access. The Program is a discretionary investment management service designed for individual investors with accounts of \$5,000 or more.

When you enroll in this Program, you will provide financial profiling information through an online website, including but not limited to, investment objective, risk tolerance, and investment time horizon. We will rely on your responses to recommend asset allocation models. Our recommendation of an asset allocation model is conducted via an algorithmic process that assesses values to some of the answers you provide during the account establishment process. The Program will generally implement investment allocations using funds that have a lower-than-average net expense ratio compared with funds in the same fund asset class (“Low-Cost Funds”). Low-Cost Funds will generally contain equities, open ended mutual funds and/or exchange-traded funds.

This Program may be implemented “in house” by SWBC employees, or we may choose to use sub-advisers and third-party money managers. In any case, our use of sub-advisers and third-party money managers will not raise the cost borne by the client. Reference the SWBC Program Brochure for more information.

### **Financial Planning Services**

We offer financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad-based financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will gather information about your financial circumstances and objectives. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to us and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify us if your financial situation, goals, objectives or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

### **Selection of Other Advisers**

We may recommend that you use the services of a third party money manager ("TPMM") to manage all, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage a specific TPMM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPMM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will monitor the TPMM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

### **Pension Consulting Services**

Our affiliate, SWBC Investment Advisory Services, LLC (common ownership and control) offers pension consulting services to employee benefit plans, their fiduciaries and their sponsors.

The Firm, certain of its IARs and certain of the registered representatives of our affiliated broker-dealer may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as:

- Diversification;
- Asset allocation;
- Risk tolerance; and
- Time horizon

Please see Item 10 below for a more detailed discussion.

### **Wrap Fee Program(s)**

We are a portfolio manager to and sponsor of a wrap fee program, which is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee. That fee includes administrative fees, management fees and commissions. If you participate in our wrap fee program, you will pay the Firm a single fee which includes our investment management fees, certain transaction costs, custodial and administrative costs. The Firm will receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing investment advisory services in a non-wrap fee format.

In order to participate in the wrap fee program sponsored by the Firm, you will be required to transact through one of our approved Custodians such as, but not limited to, our affiliated broker-dealer, SWBC Investment Services, LLC, member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation, Fidelity Institutional, Pershing, Charles Schwab ("Schwab") or TD Ameritrade Institutional, a division of TD Ameritrade, Inc. member FINRA/SIPC. Pershing, Schwab, and TD Ameritrade are independent SEC registered broker-dealer(s). Pershing, Schwab and TD Ameritrade and the Firm are separate and unaffiliated entities. To compare the cost of the wrap fee program with non-wrap fee alternatives, you should consider the frequency of trading activity associated with your planned investment strategies and the brokerage commissions charged by other broker-dealers and the advisory fees charged by investment advisers. For more information concerning the Firm's wrap fee programs, see Appendix 1 to this Form ADV 2A.

## **Types of Investments**

We currently offer advice on ETF's, equities (including, advice in respect of privately issued equity securities to SWBC CPG Fund I, LP ("CPG Fund") and real estate-related partnerships to SWBC RE Fund, LP ("RE Fund" and together with the CPG Fund, the "Private Investment Funds"), mutual funds, options and fixed income and, in respect of RE Fund, real estate.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

Finally, for those of our clients who are "Accredited Investors," the Firm may provide investment advice with respect to securities exempt from registration under Regulation D, generally speaking, "private placements." Some of these private placement investments may be sponsored by affiliates of the Firm. Others may be sponsored by unaffiliated third-parties. Please be advised that an inherent conflict of interest exists when the Firm advises a client to invest in a private placements sponsored by an affiliated entity (such as another SWBC enterprise under common control and ownership with the Firm).

## **Private Investment Funds**

Interests in the Private Investment Funds are offered exclusively to investors satisfying applicable eligibility and suitability requirements. Further information can be found in each Private Investment Fund's private placement memorandum, limited partnership agreement, subscription agreements, investment management agreements and/or other governing documents, as applicable (collectively, the "Offering Documents"). All discussions of the Private Investment Funds in this Brochure, including but not limited to their investments, the strategies used in managing the Private Investment Funds, the fees and other costs associated with an investment in the Private Investment Funds, investor suitability standards and conflicts of interest faced by SWBC in connection with management of the Private Investment Funds, are qualified in their entirety by reference to each Private Investment Fund's respective Offering Documents.<sup>1</sup>

## **Subadviser to Institution(s)**

SWBC serves as a subadviser to institutional investors and AlphaCentric Municipal Opportunities Fund (the "Fund"), for which SWBC provides advice with respect to a portfolio of municipal bonds and municipal securities that are exempt from regular federal individual income taxes, but without regard to the alternative minimum tax (AMT). On behalf of the Fund, SWBC may buy bonds of any rating, including unrated bonds, and may invest in bonds that are in default. For more information on the investment objective, principal risks, and fees associated with the Fund, please see the Fund's prospectus and SAI, which are available from the AlphaCentric website at [www.AlphaCentricFunds.com](http://www.AlphaCentricFunds.com). Subadvised services are bound by separate agreements stipulating its services and costs please refer to the separate agreements for more information. Please be advised that an inherent conflict of interest exists when the Firm advises a client to invest in a Fund by an affiliated or unaffiliated entity (such as another SWBC enterprise under common control and ownership with the Firm or a Fund in which SWBC may receive additional compensation).

## **Assets Under Management**

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As of March 15, 2024, we provide asset management services for \$345,800,000 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **SWBC Pricing Grid(s)**

Fees for investment advisory services are a percentage of assets under management, assessed quarterly in advance or arrears depending on the program type based on the accounts ending value at quarter end. Advisory fees paid to SWBC are separate and distinct from other costs to the client such as brokerage commissions and/or the costs inherent in co-mingled investment products such as mutual funds and exchange traded funds (i.e. expense ratios, etc.).

Fees are charged as a percentage of the assets under management, Fees are separately disclosed within their Investment Advisory Agreement and can be negotiated, however; the maximum fees are referenced below:

#### **Asset Based Advisory Accounts**

<b>Asset Value:</b>	<b>Maximum Annual Fee</b>	<b>Maximum Quarterly Fee</b>
<b>\$ 0 to \$ 249,999</b>	<b>2.50%</b>	<b>0.6250%</b>
<b>\$ 250,000 to \$ 499,999</b>	<b>2.40%</b>	<b>0.6000%</b>
<b>\$ 500,000 to \$ 999,999</b>	<b>2.30%</b>	<b>0.5750%</b>
<b>\$ 1,000,000 to \$ 1,999,999</b>	<b>2.20%</b>	<b>0.5500%</b>
<b>\$ 2,000,000 to \$ 4,999,999</b>	<b>2.10%</b>	<b>0.5250%</b>
<b>\$5,000,000 or more</b>	<b>2.00%</b>	<b>0.5000%</b>

Fees are payable in advance or arrears depending on the program type utilizing the last day of prior reporting period. Fees are negotiable. Fees will be pro-rated for time periods less than one quarter and adjusted for capital flows into or out of an account. The fees charged by the Firm will be deducted from a client's account by the account's custodian and remitted directly to the Firm. The client will provide the custodian with written instructions to accept, regard as accurate and to comply with the Firm's instruction to remit payment for services rendered. Reference WRAP Brochure for additional information.

### **Third Party Money Managers**

SWBC has access to over 200 TPMMs to which it may refer clients for investment programs. IARs will help the client select those programs most suitable for the client's stated financial goals within the client's known risk tolerance. Clients whose accounts are managed by SWBC on a non-discretionary basis (however very limited) should be aware that third-party managers require authority to manage client accounts on a discretionary basis. The third-party managers will establish their own fees and any requirements for minimum annual fees and minimum account size, which may range up to \$1,000,000.

### **Financial Planning Fee Schedule**

\$1,000.00 - \$10,000.00 - Full Plan (determined by current plans in place and complexity of estate and assets) - payable at the time of engagement. Plan will be delivered promptly, subject to the clients delivery of the necessary data inputs to the plan.



\$500.00 - minimum for modular plans - fully payable at the time of engagement.

\$250.00 - \$5,000.00 - Annual, semi-annual, quarterly, or monthly retainer for financial planning and consultation services. Hourly Planning Fee- \$75.00 - \$250.00 – subject to a 5 hour retainer paid at the time of engagement.

These services will vary per the individual IAR and will be specified in a written agreement between the Firm and the client prior to any services, specifying those services and the agreed-upon fee.

As a part of financial planning, certain IARs may also provide financial and investment advice in areas that are not securities or investments. These may include aspects of estate and tax planning, realty / mortgage planning and/or education planning.

The various portfolio money managers hired by third party service providers for its investment model platforms may present different methods of analysis and may use different sources of information in selecting the securities to construct the platform. SWBC's IARs, in turn, review the portfolio structures assembled by those third party managers for suitable application to the stated financial needs and goals of its own clients.

Either party to an advisory agreement for SWBC services may terminate that agreement with five (5) days' written notice to the other. A pro-rata refund will be made of any pre-paid fees for termination prior to the end of a period.

### **SWBC Institutional Advisory Services**

Fees are calculated on a percentage of the size of the investment portfolio value as either reported by an independent pricing service, reported by the client on its regulatory report (e.g. NCUA 5300 call report or similar report) or as otherwise agreed upon between the adviser and the client. The fees change as the investment portfolio increases and decreases asset size.

SWBC's maximum annual fees, based upon the total investment portfolio size under the advisory agreement, are as follows:

<b>Investment Portfolio Value</b>	<b>Maximum Annual Fee</b>
Less than \$25 million	50.0 basis points
\$25,000,001 to \$50,000,000	40.0 basis points
\$50,000,001 to \$75,000,000	30.0 basis points
\$75,000,001 to \$100,000,000	20.0 basis points
\$100,000,001 to \$150,000,000	10.0 basis points
More than \$150,000,000	8.0 basis points

*Fees are negotiable on a case by case basis and may be lower than the maximum limit listed above. The fee negotiated between the adviser and the client will vary based on the value, composition and complexity of the assets under management and specific services provided the client.*

Fees will be payable quarterly (but no more frequent than monthly) in advance based upon the market value of the client's portfolio on the last day of the prior reporting period. Fees shall be determined by reference to the valuations provided by or available from the client's Custodian. If the last trading day of

a calendar quarter or other period for which fees are calculated is different than the last day of a custodian's reporting or statement period, we may value assets maintained by such Custodian as of the close of the Custodian's reporting or statement period, as we shall select on a consistent basis for each Custodian. Intra-quarter deposits or withdrawals will reflect an arrears billing calculation.

SWBC may change the fee schedule upon 30 days advance written notice to Client, and the fees may be deducted from Client's account by a Custodian or billed directly to Client. If fees are to be deducted from a Custodian account, Client will provide the Custodian with any additional written direction, as Custodian shall request, to evidence SWBC's authority to have fees deducted upon notice and from the client's account to SWBC.

Either party to an advisory agreement for SWBC services may terminate that agreement with five (5) days' written notice to the other. A pro-rata refund will be made of any pre-paid fees for termination prior to the end of a period.

Advisory fees paid to SWBC are separate and distinct from other costs to Client such as brokerage commissions or other, investment-related management fees. If Client's portfolio includes mutual funds or other investment companies, these shares will be included in calculating the value of Client's Portfolio when SWBC's fees are determined. Client understands that the same assets will also be subject to additional advisory and other fees and expenses, which are described in the prospectuses of those funds, paid by the funds but ultimately borne by Client. The advisory fee may be included within a "Wrap Fee" program that includes the brokerage costs.

SWBC and its IARs are not compensated on the basis of a share of capital gains upon or capital appreciation of an institutional client's portfolio or any portion thereof.

### **Compensation for the Sale of Securities or Other Investment Products**

Certain IARs of the Firm are also registered representatives ("RRs") of the Firm's affiliated broker-dealer, SWBC Investment Services, LLC. In their capacities as RRs, these persons receive compensation in connection with the purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, for the sale or holding, of mutual funds. Compensation earned by these persons in their capacities as RRs is separate and in addition to the Firm's advisory fees. This presents a conflict of interest. Persons providing investment advice to advisory clients on behalf of the Firm who are also RRs of our affiliated broker-dealer have an incentive to recommend investment products based on the compensation received, rather than solely based on client needs. Persons providing investment advice to advisory clients on behalf of our firm can select or recommend, and in many instances will select or recommend, mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm who receives compensation described above. The Firm and Custodians strive to limit or mitigate the use of funds which pay 12B-1 fees by reducing the types of funds used or suppressing the fees generated from such funds. Speak with your Advisor for more information.

### **Fees for Services as Subadviser to Fund**

Pursuant to the Sub-Advisory Agreement, for its services it performs and the expenses it agrees to bear, SWBC receives a fee equal to 40% of the "net advisory fees" paid by the Fund to the Adviser. "Net advisory fees" are defined as management fees less fee waivers due to the expense caps and any extraordinary expenses related to the management and sponsorship of the Fund, including but not limited to, regulatory, litigation and legal expenses.

### **Fees for Private Investment Funds.**

Each Private Investment Fund pays SWBC the fees set forth in its Offering Documents. The fees described below are generally non-negotiable except as set forth below.

For each Private Investment Fund it manages, SWBC (or its affiliates) charges a management fee (0.5% (for the CPG Fund) and 1.75% (for the RE Fund), in each case, per annum, of committed or contributed capital depending on the particular Private Investment Fund's stage in its life cycle, the "Management Fee"). Additionally, an affiliate of SWBC acts as the general partner ("GP") of each Private Investment Fund and is entitled to receive performance-based compensation (carried interest) consisting of a percentage of realized profits (subject to a preferred return and clawback provisions as described in the relevant Offering Documents). Please see Item 6, "Performance-Based Fees and Side-by-Side Management" below for more information on such carried interest.

The Management Fee is typically calculated and paid at a beginning of a quarter. SWBC may, in its sole discretion, waive, reduce or calculate differently the Management Fee for certain investors in its Private Investment Funds. SWBC generally deducts Management Fees, directly from each Private Investment Fund, pursuant to the relevant Offering Documents.

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

The GP of each Private Investment Fund receives performance-based compensation from the Private Investment Funds that is generally equal to 20% of the net profits allocable to each investor that are in excess of a preferred return, subject to clawback. SWBC reserves the right to reduce, waive or calculate differently such performance-based compensation for certain investors in its Private Investment Funds.

Performance-based compensation creates a potential conflict of interest in that it may create an incentive 1) to make investments that are riskier or more speculative than in the absence of such a performance-based compensation, and 2) to favor higher-paying accounts over other accounts in the allocation of investment opportunities. As a general matter, SWBC believes that it mitigates these potential conflicts by requiring affiliates and/or senior employees to invest their own money in each of its Private Investment Funds. Further, SWBC follows procedures it believes are reasonably designed to ensure that all accounts that can hold similar assets are treated equitably over time and to prevent conflicts from influencing allocation decisions among such accounts, including the Private Investment Funds.

Other than the carried interest made by the Private Investment Funds as described in this Item 6, we do not accept performance-based fees. SWBC and certain of its executives benefit indirectly from carried interest paid to the GP by the Private Investment Funds.

SWBC manages the Private Investment Funds on a side-by-side basis with other Funds and client accounts managed by SWBC. For these purposes, "side-by-side management" refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

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

We provide investment advisory services to individuals, high net worth individuals, banking or thrift institutions, charitable organizations and corporations or other businesses. We also act as an investment adviser to the Fund and to two (2) Private Investment Funds. The underlying investors in the Private Investment Funds are typically institutional investors (e.g., trusts, endowments, foundations, corporations, banks, insurance companies, public and private pension plans, private fund-of-funds, etc.), high net worth investors and employees, in each case, meeting the applicable suitability requirements set out in the applicable Offering Documents of such Private Investment Funds.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to manage effectively. TPMMs and third-party programs may impose a minimum account size or minimum fee, which SWBC does not control, which may be as high as \$1,000,000. Refer to the Fund's prospectus for information regarding SWBC's fees and expenses for serving as sub-adviser. For the CPG Fund, the minimum initial investment amount is generally \$25,000; for the RE Fund, such minimum is generally \$1,000,000 (but in each case, such minimum may be waived by SWBC).

SWBC and any of its supervised persons can accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, equities, insurance products independent of its private fund offerings, reference additional information disclosed herein for conflicts of interests. Certain SWBC associates receive compensation based in part on gross sales and assets under management of SWBC's investment programs and the Fund. This compensation received by those associates is structured so that it does not incentivize the sale of any given product over another. Clients are under no obligation to purchase any specific product from the Firm and/or its affiliates.

Clients should review all fees charged by SWBC, brokers, custodians, and others to fully understand the total amount of fees incurred. Review the Fund prospectus for information regarding minimum investments and fees.

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

Please refer to the Fund prospectus and SAI for information on the investment strategy and methodology of the Fund.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

**Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

**Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

**Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

**Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

**Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

**Risk:** If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

**Option Writing** - a securities transaction that involves selling an option. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price on or before the expiration date of the option. When an investor sells a call option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. When an investor sells a put option, he or she must pay the strike price per share if the buyer exercises the option, and

will receive the specified number of shares. The option writer/seller receives a premium (the market price of the option at a particular time) in exchange for writing the option.

**Risk:** Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

**Trading** - We may use frequent trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Frequent trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses.

**Risk:** When a frequent trading policy is in effect, there is a risk that investment performance within your account may be negatively affected, particularly through increased brokerage and other transactional costs and taxes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status. Failure to notify the Firm prevents the Firm from making appropriate adjustments to your plan and we will continue to manage your account(s) based on previously disclosed information.**

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The

following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

### **Recommendation of Particular Types of Securities**

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided herein.

In respect of the Private Investment Funds in particular, we have broadly outlined below the investment strategies of the Private Investment Funds, the specific methods of analysis used in pursuing such strategies and the primary risks related specifically to those strategies. Investing in securities involves risk of loss that clients should be prepared to bear. A complete description of the risks associated with each particular investment strategy is included in the Offering Documents of the relevant Private Investment Fund.

The **RE Fund** was born out of conversations with an affiliate, SWBC Real Estate, LLC ("**SWBC Real Estate**"), a leading developer of Class A multi-family real estate which is based in Dallas, Texas. The RE Fund will consider real estate investment opportunities not limited to type or state. The RE Fund will leverage the expertise of SWBC Real Estate in Texas, but will not limit itself to the Texas market or newly constructed Class A real estate. The RE Fund intends to achieve diversification by limiting each investment in a single property (as determined in accordance with the RE Fund Agreement) to up to 40% of the notional aggregate commitments of the RE Fund (as explained in the Offering Documents) as determined on the date of such investment, based on the cost of the investment, as further discussed in detail in the Offering Documents.

As discussed in the Offering Documents of the RE Fund, when evaluating prospective investments for the RE Fund, SWBC will consider relevant real estate and financial factors, but not limited to the location of the land or property (as applicable); macroeconomic and microeconomic employment and demographic data and trends of the submarket where the investment is located; regional, market and

property specific supply and demand dynamics; transaction size and projected property-level leverage; physical condition of the property (if applicable) and the need for capital expenditures; positioning of the investment within its sub-market; design characteristics of the property (if applicable); types and duration of the leases related to the property (if applicable); adequacy of parking and access to public transportation; income-producing capability of the investment; opportunities for capital appreciation based on property repositioning, operating expense reductions and other factors (if applicable); potential to otherwise add value to the property; risk characteristics of the investment compared to the potential returns and availability of alternative investments; liquidity and tax considerations and other factors considered important to meet the investment objectives of the RE Fund.

As part of SWBC's strategy relating to existing properties, SWBC generally intends for the RE Fund to acquire properties that SWBC identifies as value-add opportunities. These investments allow SWBC to enhance good properties to create better ones by initiating strategic value-enhancement repositioning and capital improvement projects. The frequency and extent of these opportunities will be determined by SWBC.

In determining whether to make a particular investment, SWBC may obtain an option on the land or property (as applicable). The amount paid for an option, if any, is normally surrendered if the investment is not made within a certain time period and sometimes may not be credited against the purchase price if the investment is made.

SWBC's obligation to close on the purchase of any investment generally will be conditioned upon the review and verification of certain documents, including, where available and appropriate:

- plans and specifications;
- surveys;
- environmental reports and environmental matters relating to federal, state and local laws and regulations relating to environmental protection and human health and safety;
- physical condition reports;
- service and vendor contracts, parking management agreements, ground lease and property management agreements;
- a list of the current residents at the property and the terms of their respective leases;
- historical occupancy rates;
- a schedule of historical, current year and projected future resident improvements, leasing commissions and capital expenditures;
- leases;
- evidence of marketable title, subject to such liens and encumbrances as are acceptable to SWBC;
- title, casualty and liability insurance policies; and
- financial information relating to the property, including the recent operating history.

The RE Fund generally will not purchase any property unless and until SWBC obtains what is referred to as a "Phase I" environmental site assessment and are reasonably satisfied with the environmental status of the property, as described in the Offering Documents.

The primary risks related to the strategy of the RE Fund include the following.



## **Risks Relating to Making and Holding Real Estate Investments**

1. *General Risks of Real Estate Ownership.* The investments of the RE Fund will be subject to the risks generally incident to the ownership of real property, including uncertainty of cash flow to meet fixed and other obligations; adverse changes in local market conditions, population trends, property values, general economic conditions, local employment conditions, interest rates and real estate tax rates; changes in fiscal policies; competition from other properties; and uninsured losses and other risks that are beyond the control of the RE Fund. There can be no assurance of profitable operations because the cost of owning the RE Fund's investments may exceed the income produced, particularly since certain expenses related to real estate and its development and ownership, such as property taxes, utility costs, maintenance costs and insurance, tend to increase over time and are largely beyond the control of the owner.
2. *Risks Associated with the Acquisition of Real Property.* Acquisitions of real property are subject to many risks. The RE Fund may acquire properties that are subject to liabilities or that have problems relating to environmental condition, state of title, physical condition or compliance with zoning laws, building codes, the Americans with Disabilities Act or other legal requirements. In each case, the RE Fund's acquisition of a real estate property may be without any recourse, or with only limited recourse, with respect to unknown liabilities or conditions. As a result, if any liability were asserted against the RE Fund relating to a property, or if any adverse condition existed with respect to a property, the RE Fund might have to pay substantial sums to settle or cure it, which could adversely affect the cash flow and operating results of the RE Fund.
3. *Due Diligence Risk.* There can be no assurance that the due diligence processes of the general partner of the RE Fund (referred to in these related risk factors as the "General Partner") and of SWBC will uncover all relevant facts that would be material to an investment decision. Before making an investment, the General Partner and SWBC will assess the strength of the underlying properties and any other factors that they believe are material to the performance of the investment. In making the assessment and otherwise conducting customary due diligence, the General Partner and SWBC will rely on the resources available to them and, in some cases, investigations by third parties.
4. *Construction Risks.* The RE Fund may acquire properties requiring substantial construction efforts, including ground-up developments and properties that require capital improvement, which contain additional risks relating to the nature of such construction efforts. Real estate construction involves the risk that construction may not be completed within budget or on schedule because of cost overruns, work stoppages, weather conditions, shortages of building materials, the inability of contractors to perform their obligations under construction contracts, defects in plans and specifications or in construction, unsatisfactory work performance, or other factors. Any delay in completing a project may result in increased interest and construction costs, the potential loss of purchasers or tenants, and the possibility of defaults under financings.
5. *Real Estate Development Risks.* The RE Fund's investments will be made based upon certain assumptions about the cost of construction, time periods for completion of various phases of construction and the market value of the finished product. While there may be past development or operating history on which SWBC Real Estate or other business partners may base these assumptions, many factors may change, resulting in such assumptions being or becoming untrue. Such conditions may contribute to reduced demand for the finished product due to competition, economic factors or default, or changes in the capital markets such as interest rates or the availability of capital. To the extent construction costs are financed, the RE Fund's investments will be subject to real estate financing risks in addition to the construction risks identified above. Newly developed real estate projects may be disproportionately affected by fluctuations in demand and supply as they may have no existing tenancies and may need to be leased up in their entirety. In addition, investments in new development activities could be more susceptible to irregular accounting or other fraudulent practices of third party contractors and others.

6. Losses Not Covered by Insurance. The RE Fund's investments are expected to be covered by insurance with policy specifications and insured limits that the General Partner and Manager believe are adequate and appropriate under the circumstances. The investments may be damaged by terrorism, wars, criminal acts, adverse weather conditions and natural disasters, such as earthquakes, floods and tornados. The RE Fund's insurance may not be adequate to cover all damages or losses from these events, or the General Partner and Manager may view it as not economically prudent to purchase insurance for certain types of losses. Should an uninsured loss or a loss in excess of insured limits occur, the RE Fund could lose its capital invested in the affected property, as well as the anticipated future revenues from such property and, in the case of any debt that is recourse to the RE Fund, the RE Fund would remain obligated for such debt. Any loss of this nature would adversely affect the RE Fund.
7. Geographic Concentration Risk. The RE Fund will primarily focus its investments in Texas, and therefore will be particularly vulnerable to events affecting properties in Texas and in other geographic areas in which the RE Fund holds investments. The RE Fund's performance may under certain circumstances be worse than the performance of other funds that invest more broadly.
8. Real Estate Investments are Illiquid. Investments in real estate or interests in real estate are highly illiquid and subject to economic cycles, downturns in demand, market disruptions and the lack of available capital for potential purchasers. Accordingly, there can be no assurance that the RE Fund will be able to realize on its investments in a timely manner.
9. Investments Longer than Fund Term. The RE Fund may make investments that may not be advantageously disposed of prior to the date that the RE Fund will be dissolved, either by expiration of the RE Fund's term or otherwise. Although the General Partner and Manager expect that investments will be disposed of prior to dissolution, the RE Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of the RE Fund's dissolution.
10. Real Estate Projects May Fail to Perform as Expected. In deciding whether to acquire a particular property, the General Partner and Manager will make certain assumptions regarding the expected future performance of such property. If properties do not perform as expected, the financial performance of the RE Fund may be adversely affected.
11. Real Estate Environmental Risks. Under various laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property. Environmental laws often impose this liability without regard to whether the owner or operator knew of, or was responsible for, the release of hazardous substances. The presence of hazardous substances, or the failure to remediate hazardous substances properly, may adversely affect the RE Fund's ability to sell, use or finance its real estate. In addition to clean up actions brought by governmental agencies and private parties, the presence of hazardous substances on a property may lead to claims of personal injury, property damage or other claims by private plaintiffs.
12. Real Estate Regulatory Considerations. Some of the RE Fund's investment activities may require the approval of governmental authorities and, in some cases, consents of third parties. There can be no assurance that any such approvals and consents will be obtained on a timely basis, if at all. The need to obtain such approvals and consents and otherwise to comply with regulatory requirements may cause significant delays in the development process, exacerbating the risk that changes in the local market will render a project economically unattractive.
13. Expedited Timing and Reliance on Third Party Experts. Investment analyses and decisions by the General Partner and Manager may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the General Partner and Manager at the time of making an investment decision may be limited, and the General Partner and Manager may not have complete information regarding the investment, such as physical

matters, zoning, regulations or other local conditions affecting an investment. Therefore, no assurance can be given that the General Partner or SWBC will have knowledge of all circumstances that may adversely affect an investment. In addition, the General Partner and SWBC expect to rely upon specialized expert input from third-party consultants and service providers in connection with their evaluation of proposed investments.

14. *Contingent or Unknown Liabilities.* The RE Fund's acquisition activities are subject to many risks. The RE Fund may acquire properties that are subject to unknown or contingent liabilities, including liabilities for or with respect to liens attached to properties, unpaid real estate taxes, utilities or other charges for which a prior owner remains liable, clean-up or remediation of environmental conditions or code violations, claims of vendors or other persons dealing with the acquired properties and tax liabilities, among other things. In each case, the RE Fund acquisition may be without any, or with only limited, recourse with respect to unknown or contingent liabilities or conditions. As a result, if any such liability were to arise relating to Fund properties, or if any adverse condition exists with respect to Fund properties that is in excess of Fund insurance coverage, the RE Fund might have to pay substantial sums to settle or cure it, which could materially and adversely affect the RE Fund. The properties the RE Fund acquires may also be subject to covenants, conditions or restrictions that restrict the use or ownership of such properties, including zoning laws and regulations and prohibitions on leasing or requirements to obtain the approval of home owner associations prior to leasing. The General Partner and Manager may not discover such restrictions during the acquisition process and such restrictions may adversely affect the RE Fund's ability to operate such properties as intended.

15. *Value-add Investments.* Part of the RE Fund's strategy involves acquiring properties that require implementing a value-add strategy. Value-add investments generally consist of properties that provide an opportunity for the improvement of the physical asset, occupancy, or financial, operational or management characteristics of the property in order to increase cash flow and value, and such investments typically require additional capital investments and may include significant physical renovations. Property renovations entail various risks, including: (a) construction cost overruns and delays (which risks also exist in a development project); (b) the disruption of operations and displacement of revenue, including revenue lost while multi-family units under renovation are out of service; (c) the cost of funding renovations and an inability to obtain financing on attractive terms; (d) the return on our investment in these capital improvements; (e) inability to obtain all necessary zoning, land use, building, occupancy, and construction permits; and (f) possible environmental problems. If the RE Fund encounters any of the foregoing issues, the RE Fund may not have adequate funds to address these matters and may have to procure additional funding, which could result in lower cash flows or declines in value, or both, which would limit the General Partner's ability to make distributions to the Limited Partners and could reduce the value of the Limited Partners' investments.

### **Special Risks Relating to Multi-family Real Estate**

1. *Competition.* The multi-family real estate markets are currently experiencing a substantial influx of capital from investors worldwide. This substantial flow of capital, combined with significant competition for real estate and the strength in the economy, may result in inflated purchase prices for such assets. To the extent the RE Fund purchases real estate in such an environment, the RE Fund is subject to the risk that if the real estate market ceases to attract the same level of capital investment in the future as it is currently attracting, or if the number of companies seeking to acquire such assets decreases, returns will be lower and the value of Fund assets may not appreciate or may decrease significantly below the amount paid for such assets. No assurances can be given that the development and/or disposition of property will achieve the projected returns to investors. Any multi-family communities in which the RE Fund invests may compete with numerous housing alternatives in attracting residents, including single-family homes and condominiums available for rent. Such competitive housing alternatives may become more prevalent in a particular area in the event of any tightening of mortgage lending underwriting criteria, homeowner foreclosures, declines in single-family home and condominium sales or lack of available credit. The number of single-family homes and

condominiums for rent in a particular area could limit the RE Fund's ability to retain residents, lease apartment units or increase or maintain rents. The RE Fund also faces significant competition for acquisitions of multi-family properties. Many of the RE Fund's competitors have greater financial resources than it does and a greater ability to borrow funds to acquire new properties. These competitors may also be willing to accept more risk than the RE Fund can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition for investments may reduce the number of suitable investment opportunities available to the RE Fund and may increase acquisition costs and, as a result, adversely affect the RE Fund's operating results.

2. *Inability to Renew Leases that Expire.* The RE Fund may not be able to lease multi-family units which are vacant or become vacant because a tenant decides not to renew its lease. Even if a tenant renews its lease or the RE Fund enters into a lease with a new tenant, the terms of the new lease may be less favorable than the terms of the old lease. If the RE Fund is unable to promptly renew or enter into new leases, or if the rental rates are lower than expected, results of Fund operations and net assets in liquidation will be adversely affected. Occupancy levels and lease terms may be adversely affected by national and local economic and market conditions including, without limitation, new construction and excess inventory of multi-family and single family housing, rental housing subsidized by the government, other government programs that favor single family rental housing or owner occupied housing over multi-family rental housing, governmental regulations, slow or negative employment growth and household formation, the availability of low interest mortgages for single family home buyers, changes in social preferences and the potential for geopolitical instability, all of which are beyond the control of the RE Fund. In addition, various state and local municipalities are considering and may continue to consider rent control legislation or take other actions which could limit the RE Fund's ability to raise rents. Finally, the federal government's policies, many of which may encourage home ownership, can increase competition and possibly limit the RE Fund's ability to raise rents.

3. *Multi-family Properties are Management Intensive.* The RE Fund will depend on a property manager for all aspects of property management, including collection and handling of rents, marketing to prospective renters, setting rent rates, and payment of operating expenses. Property management fees may increase, and the property manager will be paid regardless of the profitability of the properties. There can be no assurance that the properties will be effectively or profitably managed.

4. *Fair Housing Amendment Act of 1988.* The multi-family residential properties in which the RE Fund invests must comply with the Fair Housing Amendment Act of 1988 ("FHAA") which requires that multi-family communities first occupied after March 13, 1991 be accessible to handicapped residents and visitors. Compliance with the FHAA could require removal of structural barriers to handicapped access in a community, including the interiors of apartment units covered under the FHAA. Recently there has been heightened scrutiny of multi-family housing communities for compliance with the requirements of the FHAA and the ADA and an increasing number of substantial enforcement actions and private lawsuits have been brought against multi-family communities to ensure compliance with these requirements. Noncompliance with the FHAA and the ADA could result in the imposition of fines, awards of damages to private litigants, payment of attorneys' fees and other costs to plaintiffs, substantial litigation costs and substantial costs of remediation.

The purpose of **CPG Fund** was to acquire, directly or indirectly, Series Seed Plus Non Participating Convertible Preferred Units of Ellis Brooklyn LLC, a Delaware limited liability company.

The primary risks and conflicts related to the strategy of the CPG Fund include the following:

**Concentration of Investments.** The CPG Fund will only invest in the Initial Investment and will not have access to additional investment opportunities (other than potential Follow-On Investments). While this portfolio concentration may enhance total returns to Limited Partners, if the Initial Investment has a material loss, then returns to the Limited Partners may be lower than if they had invested in a well-diversified portfolio. Further, the Initial Investment may be subject to greater market fluctuations than an investment in a portfolio of securities representing a broader range of industries or companies.

**Conflicts of Interest; Successor Funds; Other Accounts.** The general partner of the CPG Fund (referred to in these specific risk factors as the “General Partner”), SWBC, the Principals (being John Tuohy, Josh Lynch and Patrick Muras for the CPG Fund) and their affiliates (collectively, the “*Conflict Parties*”) may participate in the Investments outside the CPG Fund. Certain Principals will have information in respect of the Investments through such Principal’s personal relationship with the owner and manager of the Investments. Further to the foregoing, (a) such Principals will not be obligated to share such information and (b) depending on the nature of such information, it may restrict the actions that the CPG Fund may take in respect of the Investments. In addition, members of the General Partner’s team will spend a portion of their business time and attention other than on behalf of the CPG Fund, including, without limitation, managing other investment funds and accounts sponsored or managed by the Conflict Parties (“*Other Accounts*”) and pursuing and monitoring investments on behalf of Other Accounts.

## **Item 9 Disciplinary Information**

Registered Investment Advisors (RIA's) are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm. SWBC has no information applicable to this item.

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

### **A. Registration as Broker-Dealer and Registered Representatives**

We are affiliated with SWBC Investment Services, LLC (“SWBC-BD”) through common control and ownership. SWBC-BD is a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. SWBC's management employees (who are also registered as RRs) and virtually all IARs of SWBC are registered as broker-dealer RRs of SWBC-BD. Refer to the disclosure in Item 10.C. below for further information. Broker-dealers and RRs operate under a best interest standard, which requires that each RR of SWBC-BD must act in the clients’ best interest without tailoring services benefiting only the Firm.

### **B. Registered or Application as Futures Commission Merchant, Commodity Pool Operator, or Other Registration Category**

No disclosures pursuant to this Item.

### **C. Material Arrangements with Related Person Broker-Dealers, Investment Advisers, or Insurance Agencies**

We are affiliated with SWBC-BD through common control and ownership. SWBC-BD is a securities broker-dealer and a member of the FINRA and SIPC. Persons providing investment advice on behalf of our firm, including our management persons, are also RRs associated with SWBC-BD. In their capacity as RRs, these persons will receive commission-based and asset-based sales compensation (including 12b-1 fees from the sale of mutual funds) from the purchase and sale of mutual funds and other securities. Compensation earned by these persons in their capacities as registered representatives is

separate from our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm and who are also RRs of SWBC-BD have an incentive to effect or recommend securities transactions for the purpose of generating commissions rather than making or recommending securities transaction based solely on your investment needs. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

We are affiliated with SWBC Investment Advisory Services, LLC ("SWBC Pension Advisor") through common control and ownership. SWBC Pension Advisor is an SEC-registered investment adviser that offers pension consulting services to employee benefit plans, their fiduciaries and their sponsors. We will recommend appropriate services of SWBC Pension Advisor for clients in need of pension consulting services. Our advisory services are separate and distinct from any services provided by SWBC Pension Advisor, and our advisory fees are separate from any fee charged by SWBC Pension Advisor for its services. We have a conflict of interest in referring clients to our affiliate for pension consulting services because we have a financial incentive to recommend our affiliated firm's services. While we believe that the services provided and compensation charged by our affiliated firm are competitive, such services may not be competitive with, and such compensation may be higher than fees charged by, other firms. You are under no obligation to use the services of any other firm we recommend, whether affiliated or otherwise; you may obtain comparable or higher quality services and/or lower fees through other firms.

SWBC-BD is also authorized to sell insurance products and persons providing investment advice on behalf of our firm may be licensed as insurance agents. Many Representatives are also licensed to sell life, health, and annuity products and are appointed as agents ("Agents") by various life insurance companies; SWBC-BD is a party to standard agency contracts with life insurance companies which govern compensation from insurance products and renewals. These persons will earn commission-based compensation for selling life, health, and annuity insurance products to you. Insurance compensation earned by these persons in their capacities as insurance agents is separate from our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm and who are also insurance agents of SWBC-BD have an incentive to effect or recommend insurance products for the purpose of generating insurance commissions rather than making or recommending insurance products based solely on your insurance needs.

#### **D. Recommend or Selection of Other Investment Advisers with Material Conflict of Interest**

Previously offered Vault Program, we engage Geode Capital Management, LLC ("Geode"), as subadviser to manage the accounts of Vault Clients. The Vault Program is sponsored by National Financial Services, LLC ("NFS"), an indirect wholly-owned subsidiary of FMR LLC ("Fidelity"), through the Fidelity Automated Managed Platform ("AMP Platform" or the "Service"). SWBC is authorized to offer the Vault Program to its clients pursuant to SWBC-BD's agreement with NFS (the "AMP Agreement"), which required SWBC to enter into a subadvisory agreement ("Subadviser Agreement") with Geode ("Subadviser") that provides, among other terms:

- Subadviser is authorized to establish a set of asset allocation portfolios ("Models"), determine the appropriate asset allocation for each Model and manage the assets in each Client's Account on a discretionary basis to correspond to the Model selected for such Account by SWBC ("Adviser") based on Adviser's assessment of the Client's overall investment strategy, investment objectives and investment and risk profile;
- Models will be composed of mutual funds and/or exchange-traded funds that maintain lower-than-average net expense ratios compared with funds in the same fund asset class ("Low- Cost

Funds”);

- Subadviser will manage each Model and the corresponding assets in each Client Account by investing in Low-Cost Funds comprised of: (i) mutual funds managed by Fidelity (“Fidelity Funds”); and/or (ii) exchange-traded funds (“ETFs”) either managed by Fidelity (“Fidelity ETFs”) or by unaffiliated investment advisers (“Non-Fidelity ETFs” and, together with Fidelity Funds and Fidelity ETFs, “Funds”);
- Some of the Fidelity Funds and/or Fidelity ETFs may be subadvised by Subadviser;
- In selecting Non-Fidelity ETFs, Subadviser will initially select among ETFs advised by BlackRock Investment Management, LLC (or one of its affiliates, collectively “BlackRock”), including iShares® ETFs, provided that if Low-Cost Funds are not then available from BlackRock or Fidelity for any asset class, Geode may select ETFs managed by other third parties;
- Pursuant to a contractual long-term marketing arrangement between Fidelity and BlackRock, Fidelity receives compensation from BlackRock in connection with purchases of BlackRock ETFs used in certain Fidelity investment programs, including the Fidelity Platform;
- Although Subadviser expects that the Models will initially be comprised primarily of Fidelity Funds, Fidelity ETFs, and Funds managed by BlackRock, over time, Subadviser may also invest in Non-Fidelity ETFs, depending on the circumstances. Client is informed that Fidelity will receive compensation from BlackRock in connection with the usage of any BlackRock ETF in Client Accounts; the amounts will be subject to adjustments (the “Adjustments”) provided in the Subadviser Agreement related to (i) investment management fees and other underlying fees paid to Fidelity or Geode as a result of investments by Client Accounts in any Fidelity Fund or Fidelity ETF, and (ii) actual distribution fees, shareholder servicing fees, and any other underlying fees or compensation received by Fidelity as a result of investments by the Account in any Non-Fidelity ETF; provided, the Adjustments shall be applied to reduce the calculation of the fees that Clients owe to SWBC for the Vault Program, but only to the extent that SWBC’s or SWBC-BD’s obligation to NFS (or Fidelity) is likewise reduced;
- Each Adviser Client has the opportunity to impose reasonable restrictions on the management of its Account, and to change such restrictions, by making a request to the Adviser. As a general matter, restrictions may include prohibitions with respect to the purchase of a particular Fund or Funds, provided such restrictions are not inconsistent with the management of the Models, or is not fundamentally inconsistent with the nature or operation of the Fidelity Platform;
- As compensation for its services hereunder, Adviser shall pay Subadviser a subadvisory fee (the “Subadviser Fee”) out of the gross management fee paid to Adviser by Vault Clients (the “Gross Management Fee”) after application of the Adjustments. SWBC shall also pay NFS an asset-based platform fee in connection with Adviser’s and the Vault Clients’ use of the AMP Platform (the “AMP Platform Fee”) out of the Gross Management Fee as provided in the separate agreement between SWBC-BD and NFS; and
- Geode and Fidelity have agreed to Geode receiving a minimum annual fee (“Minimum Fee”) in connection with the AMP Platform. In the event that Geode’s aggregate, annual Subadviser Fees across all of the accounts it manages in connection with the Fidelity Platform do not exceed the Minimum Fee, then Fidelity will be required to pay the shortfall to Geode. Adviser acknowledges that neither this Minimum Fee nor any shortfall will be charged to Adviser or any Client. Fidelity’s obligation to pay the Minimum Fee to Geode creates an incentive for Fidelity to

support utilizing Geode as a subadviser for Adviser and its Adviser's Clients in connection with the AMP Platform.

Other than the Vault Program, we may recommend that clients use a TPMM based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the TPMM for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended TPMM(s). Refer to the *Advisory Business* section above for additional disclosures on this topic.

## **E. Affiliates**

SWBC Corporation wholly owns SWBC-BD. SWBC-BD is primarily compensated for facilitating transactions --- commissions when acting in the broker capacity, mark-ups and mark-downs when acting in the dealer capacity. SWBC-BD also earn concessions from investment sponsors for distributing that sponsor's investment products.

SWBC Corporation has subsidiaries in the insurance business, both as a creator of insurance products ("proprietary") and a distribution channel for insurance products created by others ("agency"). Generally speaking, the natural persons offering insurance products to the public are licensed in their respective States and are known as "Licensed Producers". Because of the large number of regulatory jurisdictions, the standard of care owed to the consumer is not as specifically defined as for securities' investors. Nonetheless, consumers are entitled to professionalism, fair dealing and honesty and under no obligation to purchase products from such subsidiaries.

Natural persons employed by affiliates of SWBC Corporation may be licensed / registered in more than one professional capacity. For example, an individual may be an IAR of SWBC and an RR of SWBC-BD. Further, that same individual may also be a licensed insurance producer with an SWBC Corporation insurance subsidiary. Any client / prospective client is hereby advised that the ability of a single person to fill numerous roles creates a) potential conflicts of interest and b) potential for consumer misunderstanding.

SWBC employees at times serve on boards of directors, committees or in other capacities at companies in which the Private Investment Funds may invest. This may expose SWBC and its Private Investment Funds to certain limitations on the ability to trade the securities of the issuer company and certain conflicts of interest. As a result of such service, an employee may become aware of material non-public information about the company in which the applicable Private Investment Fund invests, which could substantially restrict the Private Investment Fund's ability to trade the securities of such company. Such limitations may cause the Private Investment Fund to forgo sales or purchases that it would otherwise make, thereby exposing the Private Investment Fund to losses and lost opportunities. SWBC maintains policies and procedures that strive to minimize the negative effects of such conflicts if they arise. However, there can be no guarantee that such activities will not result in less favorable results for the Private Investment Fund than if the employee were not permitted to serve in such capacity.

Other information on other affiliates is included under "Participation or Interest in Client Transactions" of Item 11 below.

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



## **Description of Our Code of Ethics**

The firm has established the following Code of Ethics that governs a number of conflicts of interest we have when providing advisory services, and it serves to establish a standard of conduct for all of our supervised persons based upon fundamental principles of transparency, integrity, honesty, and trust. The Code is designed to ensure we meet our fiduciary obligation to our clients (and prospective clients) and foster a culture of compliance within the firm. The Code is designed to detect and prevent violations of the securities laws.

If you would like a copy of SWBC's Code of Ethics, please contact our CCO at the contact address on the front of this Brochure.

We distribute the Code to each associate at the time of hire, at least annually thereafter, and upon each material change. It is supplemented with annual training and ongoing monitoring of associate activity.

According to our Code, employees (or access persons, to the extent the Code is limited to the obligations under Advisers Act) must:

- Report their transactions in reportable securities quarterly and disclose reportable securities holdings annually;
- Disclose all securities accounts in which they have a beneficial interest (i.e., they are the account owner or have a present economic interest in the account);
- Protect material non-public information;
- Obtain prior approval for participation in private placements and initial public offerings (IPO);
- Receive approval prior to engaging in outside business activities including serving on any Board of Directors of a public company;
- Report gifts and business entertainment; and
- Certify on an annual basis as to compliance with our Code.

These periodic reports shall include at a minimum a complete report of each Access Person's securities holdings at the time the person becomes an Access Person and at least once a year thereafter. Access persons shall submit quarterly reports of all their personal securities transactions no later than 30 days after the close of the calendar quarter.

Associates shall submit holdings and transaction reports for "reportable securities" in which the Associate has or acquires any direct or indirect beneficial ownership. All Associates shall obtain the investment adviser's approval before investing in any IPO or private placement.

In adopting this Code of Ethics, the firm also adopts the standard that requires all employees to live up to a standard of ethical conduct based on principles of openness, integrity, honesty and trust.

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

Other than as described below, neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.<sup>2</sup>

The affiliated general partners of the Private Investment Funds will receive carried interest from the Private Investment Funds, as described herein. Those general partners are relying advisers of SWBC. SWBC and its relying advisers are together filing a single Form ADV, which includes a separate Schedule R for each relying advisor as applicable.

In connection with its RE Fund, SWBC expects to use real estate developers including affiliates, such as SWBC Real Estate. There can be no guarantee that real estate developers will have the resources or skills necessary to provide the necessary services. All such services are performed by the real estate developer's personnel, not by personnel of other affiliates of SWBC, and SWBC does not exercise day-to-day control over or management of the real estate developer. Real estate developers also may not be required to direct investment opportunities to the RE Fund or spend a specified portion of their time working on assets of the RE Fund. The affiliation with SWBC Real Estate may create a conflict for SWBC to engage this developer over another (because SWBC Real Estate will receive a promote equal to up to 30% of the net proceeds in respect of the relevant development), which other developer may be more appropriate for that given development. SWBC understands its fiduciary duties to its Private Investment Funds, including the RE Fund.

### **Management of Multiple Investment Portfolios**

SWBC typically makes investment decisions for multiple portfolios using various investment strategies depending upon clients' guidelines and restrictions. However, SWBC and its respective portfolio managers must remain vigilant to the risks of the firm managing a number difficult client portfolios at the same time, apparently without a problem, but then to find out that whether due to a discovered conflict or manpower shortage, issues arise, such as allocation of investment opportunities.

When an opportunity is identified, SWBC will make a good faith determination to present such investment opportunity:

- based on several factors including, but not limited to, the source of origination;
- application of SWBC's investment allocation methodology will often result in related accounts receiving an allocation on a non-pro rata basis;
- these investment management responsibilities create conflicts of interest;
- We seek to conduct ourselves in a manner we consider to be the most fair and consistent with our fiduciary obligations to our clients and make investment decisions and recommendations based on an account's available cash, investment objectives, restrictions, permitted investment techniques and other relevant considerations;
- With respect to privately held investment opportunities, SWBC has adopted written policies and procedures that will not favor or disfavor, consistently or consciously, other investment vehicles utilized by associates other clients;
- The conflicts of interest that arise in managing multiple accounts include, for example, conflicts among investment strategies, conflicts in the allocation of investment opportunities (including related Investments), or conflicts based on account type, conflicts due to different fees;
- Some accounts have higher fees than others do. Fees charged to clients differ depending upon a number of factors including, but not limited to, the particular strategy, the size of the portfolio being managed, the relationship with the client, the service requirements, or the account type (e.g., separately managed accounts and wrap accounts). Based on these factors, a client could pay higher fees than another client with the same IAR, or in the same strategy. Also, clients with larger assets under management generate more revenue for SWBC than smaller accounts. These differences give rise to a conflict that an IAR may favor one account over the other or allocate more time to the management of one account over another.
- To help manage conflicts, we have implemented various controls, including the following:
  - We review the performance of accounts to identify performance outliers;
  - For accounts managed according to strategy-based model portfolios, we confirm differences relative to account specific guidelines; and

- We have adopted trade order aggregation, trade allocation and related account allocation policy and procedures that seek to manage, monitor and, to the extent possible, minimize the effects of these conflicts.

## **Item 12 Brokerage Practices**

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer, custodian or bank. In recognition of the value of the services the custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

You may choose to appoint, however not limited to, National Financial Services ("NFS"), Fidelity Institutional, Pershing, Schwab ("Schwab") and TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade") as your Custodian ("Custodian"), to take and have possession of your assets. SWBC shall not maintain possession of nor have custody of such assets. Custodian is an SEC registered broker / dealer. SWBC and Custodian are unaffiliated enterprises. There is no employment, agency or common control relationship between Custodian and SWBC.

### **Research and Other Soft Dollar Benefits**

We strive to disclose all conflicts of interest at this time we do not have any soft dollar arrangements. We will promptly update this section upon receipt of soft dollar benefits.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

As mentioned, SWBC participates in multiple Custodial platforms including Pershing, Schwab and TD Ameritrade's Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (TD Ameritrade) member FINRA/SIPC. These Custodians are unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors, services which include custody of securities, trade execution, clearance, and settlement of transactions. SWBC receives some benefits from Pershing, Schwab and TD Ameritrade through its participation in its Institutional program(s).

(Please see the disclosure under Item 14 below.)

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers, custodians or banks in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

SWBC-BD clears all brokerage trades through our clearing firm, which is separate and distinct from our Advisory services. We do not allow directed brokerage trades, however, rely on our clearing firm for the best execution of our trades. We do not place trades with certain brokers to receive favorable treatment or payment, which could create a conflict of interest.

Persons providing investment advice on behalf of our firm who are RRs of SWBC-BD will recommend SWBC-BD to you for brokerage services as deemed appropriate. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from SWBC-BD unless SWBC-BD provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through SWBC-BD. It may be the case that SWBC-BD charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through SWBC-BD, these individuals (in their separate capacities as RRs of SWBC-BD) may earn commission-based compensation as a result of placing the recommended securities transactions through SWBC-BD. This practice presents a conflict of interest because these RRs have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use SWBC-BD, we may not be able to accept your account. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm. You may choose to appoint one of our approved custodians such as NFS, Fidelity Institutional, Pershing, Schwab or **TD Ameritrade Institutional**, a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade") as your Custodian ("Custodian"), however not limited, to take and have possession of your Advisory assets. Adviser shall not maintain possession of nor have custody of such assets. Approved Custodians are US Securities and Exchange registered broker / dealer. Adviser and Custodians are distinct, unaffiliated enterprises. There is no employment, agency or common control relationship between Custodian and Adviser.

### **Aggregated Trades**

Generally, we do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "aggregated trading") however the Firm is not restricted from doing so in the future. Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

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

SWBC will not provide you with regular written reports. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

While reviews and updates to a financial plan are not part of the contracted services, at your request we will review your financial plan to determine if the investment advice provided is consistent with your investment needs and objectives. It is best practice to review your financial situation yearly to determine if changes/updates are needed, Client retains ultimate responsibility to notify SWBC of

such changes/updates promptly. At our sole discretion, reviews and updates may be subject to our then current hourly rate. If you implement the financial planning advice provided by our firm, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

SWBC will continually and regularly supervise or manage the advisory services of your investment account(s) as part of the services provided, at your request we will review your investment account(s) individually. It is best practice to review your investments yearly to determine if changes/updates are needed, Client retains ultimate responsibility to notify SWBC of such changes/updates promptly. Otherwise, we will continually monitor your investment account(s) in conjunction with any utilized third-party money manager(s) or sub-advisers, however we will not review statements you receive from any third-party money manager or account custodian. Client should review provided statements for accuracy. At your request, we may meet with you and/or your other professionals to discuss asset allocation, but we may be limited on making recommendations regarding specific investments or provide any regular written reports to you depending on the circumstances. At our sole discretion, reviews and meetings may be subject to our then current hourly rate for non-advisory services provided. SWBC will attempt to meet with each Client at minimum annually, should the attempt become unsuccessful or disregarded by the Client, SWBC will continue to manage each account with previously disclosed suitability, risk tolerance and goals and objectives until contacted by the Client.

With respect to Private Investor Funds, investors will receive unaudited financial statements of the applicable Private Investor Fund and a summary of the investments of such Private Investor Fund within ninety (90) days after the end of each of the first three fiscal quarters in a calendar year, in addition to the audited financials mentioned in Item 15 below and the necessary tax form. Certain investors may receive supplemental or additional information from time to time, either upon request or pursuant to side letter arrangements.

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

As disclosed under the *Fees and Compensation* section in this brochure, certain persons providing investment advice on behalf of our firm are licensed insurance agents, and/or are RRs with SWBC-BD. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice to you [nor do we compensate any individual or firm for client referrals] unless already previously disclosed through any affiliations or services provided such as Sub-Advisory services.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

As disclosed under Item 12 above, SWBC participates in Pershing, Schwab and TD Ameritrade's Institutional customer program and SWBC may recommend Pershing, Schwab and TD Ameritrade to Clients for custody and brokerage services. There is no direct link between SWBC's participation in the program and the investment advice it gives to its Clients, although SWBC receives economic benefits through its participation in the program that are typically not available to Pershing, Schwab and TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving SWBC participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry

and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and compliance, marketing, research, technology, and practice management products or services provided to SWBC by Pershing, Schwab and TD Ameritrade and/or third party vendors without cost or at a discount. Pershing, Schwab and TD Ameritrade may also have paid for business consulting and professional services received by SWBC's related persons. Some of the products and services made available by Pershing, Schwab and TD Ameritrade through the program may benefit SWBC but may not benefit its Client accounts. These products or services may assist SWBC in managing and administering Client accounts, including accounts not maintained at Pershing, Schwab and TD Ameritrade. Other services made available by Pershing, Schwab and TD Ameritrade are intended to help SWBC manage and further develop its business enterprise. The benefits received by SWBC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Pershing, Schwab and TD Ameritrade. As part of its fiduciary duties to clients, SWBC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SWBC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the SWBC's choice of Pershing, Schwab and TD Ameritrade for custody and brokerage services. SWBC's receipt of general platform services does not diminish the Adviser's duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

### **Item 15 Custody**

For accounts where we have the authority to directly debit the advisory fee, our Firm is deemed to have custody. As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. Additionally, with respect to the Private Investment Funds, SWBC satisfies the applicable regulatory requirements related to custody by, among other things, ensuring that 1) each Private Investment Fund is subject to an annual audit by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and 2) audited financial statements for each Private Investment Fund are delivered to the investors in the Private Investment Fund within the applicable required time frame.

### **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our advisory services agreement and the appropriate trading authorization forms.

You may grant our Firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker or dealer/custodian to be used for each transaction, and over the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management

services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

With respect to the Private Investment Funds, SWBC has full discretion and authority to make all investment decisions with respect to the types and amounts of securities to be bought or sold, provided that such discretion is exercised in a manner consistent with the investment objectives and guidelines set out in the Offering Documents of the particular Private Investment Fund.

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

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

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

We do not require or solicit pre-paid fees exceeding \$1,200 per client, six months or more in advance, nor is there any financial condition that is reasonably likely to impair SWBC's ability to meet its contractual commitments to clients; consequently, we have not provided a balance sheet. We have not filed a bankruptcy petition at any time in the past ten years.