

The Wealth Collaborative, Inc.

# Disclosure Brochure

March 2024

**The Wealth Collaborative, Inc.**

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This brochure provides information about the qualifications and business practices of The Wealth Collaborative, Inc. (hereinafter "TWC"). If you have any questions about the contents of this brochure, please contact Jeffrey Wheeler at (818) 577-1180. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about The Wealth Collaborative, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

The Wealth Collaborative, Inc. is an SEC-registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

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TWC does not have any material changes to disclose since our last update.

# The Wealth Collaborative, Inc. Disclosure Brochure

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# The Wealth Collaborative, Inc. Disclosure Brochure

## Item 4. Advisory Business

TWC offers investment management services and wealth planning solutions to high-net-worth clients through its Private Client Program and a la carte wealth planning engagements. Prior to engaging TWC to provide any of the foregoing investment advisory services, a client is required to enter into one or more written agreements with TWC setting forth the terms and conditions under which TWC renders its services (collectively the "Agreement").

TWC has been in business since October 2007. Jeffrey Wheeler is the sole owner of TWC.

As of December 31, 2023, TWC discloses approximately \$740,090,000 in total assets representing: \$669,900,000 of assets under discretionary management in its Asset Management Services; and \$70,190,000 plan assets under consultation. Assets under consultation are assets for which TWC acts as a 3(21) or a 3(38) fiduciary and provides ongoing recommendations based upon the needs of the retirement plan client, as to which specific securities or other investments to make available to its plan participants, among other services.

This Disclosure Brochure describes the business of TWC. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of TWC's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on TWC's behalf subject to TWC's supervision or control.

### Wealth Planning Services

For clients who do not wish to receive ongoing investment management services, TWC may provide its clients with wealth planning services on an a la carte basis. These services include portfolio analysis, budgeting, cash flow planning, retirement planning and estate planning. In performing its services, TWC is not required to verify any information received from the client or the client's other professionals (e.g., attorney, business manager, accountant, etc.) and is expressly authorized to rely on such information. A client is under no obligation to act upon the recommendations made by TWC under a wealth planning or consulting engagement.

TWC may recommend its services and/or the services of other professionals to implement its recommendations. However, a client is under no obligation to engage the services of TWC, or any professional recommended by TWC – the client retains absolute discretion over all such implementation decisions. Clients are advised that a conflict of interest exists if TWC recommends its own services.

In reviewing, evaluating, or revising TWC's previous recommendations and/or reports, clients are advised that it remains their responsibility to promptly notify TWC if there is ever any change in their financial situation or investment objectives that might impact such recommendations or reports. The recommendations made according to the individualized wealth planning services are valid as of the date provided. They should not be considered valid beyond the period stated in the reports.

### Investment Management Services

Clients can engage TWC to manage all or a portion of their assets primarily on a discretionary basis. Depending on the client's service level, TWC may provide clients with varying degrees of wealth planning services, traditionally referred to in the financial services industry as financial planning services. The centerpiece of TWC's services is its Private Client Program, described below in Item 8.

TWC primarily allocates clients' investment management assets among mutual and exchange traded funds according to their investment objectives. TWC also provides advice about any investment held in clients' portfolios at the outset of the investment management relationship.

TWC tailors its advisory services to the individual needs of clients. TWC consults with clients initially and on an ongoing basis to develop and maintain an investment policy statement that determines risk tolerance, time horizon, and other factors that might impact their investment needs. TWC ensures that clients' investments are suitable for their investment needs, goals, objectives, and risk tolerance.

Clients are advised to promptly notify TWC if there are changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon TWC's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in TWC's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Use of Independent Managers**

As described in detail in Item 8, TWC may recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("Independent Managers") based upon the stated investment objectives of the client. The terms and conditions under which the client engages the Independent Managers are outlined in a separate written agreement between the client, the designated Independent Managers and, in some cases, TWC. TWC renders services to the client relative to the discretionary selection or recommendation of Independent Managers. TWC also monitors and reviews the account performance and the client's investment objectives.

TWC receives an annual advisory fee that is based upon a percentage of the market value of the assets being managed by the designated Independent Managers.

### **IRA Rollover Recommendation**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice).
- Never put our financial interests ahead of yours when making recommendations (give loyal advice).
- Avoid misleading statements about conflicts of interest, fees, and investments.
- Follow policies and procedures designed to ensure that we give advice that is in your best interest.
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

## Item 5. Fees & Compensation

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TWC renders its services on a fee basis, which may include fixed fees and fees based upon assets under management.

### **Wealth Management Fees**

TWC charges a fixed fee for wealth planning and consulting services. These fees are negotiable, but fixed fee engagements generally range from \$1,500 to \$50,000 depending upon the nature and scope of the services rendered and the professional rendering of such services. Before engaging TWC to provide wealth planning and/or consulting services, a client is required to enter into a written agreement with TWC setting forth the terms and conditions of the engagement. Generally, TWC requires one-half of the estimated wealth planning/consulting fee payable upon entering the written Agreement. The balance is generally due upon delivery or completion of the agreed-upon reports or services.

### **Investment Management Fee**

TWC provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by TWC. TWC's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses that the client incurs. TWC does not, however, receive any portion of these commissions, fees, and costs. TWC's annual fee is prorated and charged quarterly in advance, based upon the market value of the assets being managed by TWC on the last day of the previous quarter. The annual fee is negotiable and varies between 0.50% and 1.75%, depending on the complexity of the account, market value of the assets under management, and the type and scope of investment management services to be rendered.

TWC, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, the dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 below, TWC generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & CO., ("Schwab") as its primary custodian for our clients' accounts. By using Schwab as primary custodian, TWC has access to a wide range of products and services that help us serve our clients, including:

- Full range of investment products and trading services
- Technology and service support
- Wide array of investment account types including retirement accounts, charitable giving, and education accounts

TWC may implement its investment management recommendations only after the client has arranged for and furnished TWC with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Schwab and/or any other broker--dealer recommended by TWC, broker-dealers directed by the client, trust companies, and banks, etc. (collectively referred to herein as the "Financial Institutions").

Clients may incur certain charges imposed by the Financial Institutions and other third parties, such as fees charged by Independent Managers (as defined above), custodial fees, charges imposed directly by a mutual fund or ETF in the account that are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees for assets outside of any wrap fee programs. Such charges, fees, and commissions are exclusive of and in

addition to TWC's fee.

TWC's Agreement and the separate Agreement with any Financial Institutions may authorize TWC or Independent Managers to debit the client's account for TWC's fee and to directly remit that management fee to TWC or the Independent Managers. Any Financial Institutions recommended by TWC have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of management fees paid directly to TWC.

### **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a pro-rata basis. The Agreement between TWC and the client will continue in effect until terminated by either party according to the terms of the Agreement. If a client terminates its client service agreement with TWC, then, unless stipulated in the client services agreement, TWC's fees are prorated from the beginning of the billing period through the date that is 30 days from the date TWC receives written notice of the termination, and any remaining balance is charged or refunded to the client.

Clients may make additions to and withdrawals from their account at any time, subject to TWC's right to terminate an account. Additions may be in cash or securities, provided that TWC reserves the right to liquidate any transferred securities or decline to accept securities into a client's account. Clients may withdraw account assets on notice to TWC, subject to the usual and customary securities settlement procedures. However, TWC designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. TWC may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge), and/or tax ramifications.

## **Item 6. Performance Based Fees & Side by Side Management**

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TWC does not provide any services for performance-based fees. Performance-based fees are based on a share of capital gains on, or capital appreciation, of a client's assets.

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

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TWC primarily serves individuals and business entities engaged in the entertainment industry.

### **Minimum Account Size**

As a condition for starting and maintaining a relationship, TWC generally imposes the following minimum portfolio size, depending on the Private Client Program Level in which a client invests:

- Level 1: \$500,000
- Level 2: \$1,000,000
- Level 3: \$2,000,000

TWC, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including, but not limited to, pre-existing or familial relationships, portfolio complexity, anticipated future asset deposits or earning capacity, related accounts, account composition, account retention, and pro bono activities, etc. TWC only accepts clients with less than the minimum portfolio size if, in the sole opinion of TWC, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. TWC may aggregate the portfolios of family members to meet the minimum portfolio size.

If, however, the total value of an account falls below the respective Level minimum because of

withdrawals by the client, TWC may notify the client of the shortfall and may request a deposit of funds or securities to restore the account value to the minimum, or risk account closure. If the client does not replenish the account in case of a shortfall due to withdrawal, TWC may elect to withdraw as the investment adviser on the account.

Additionally, certain Independent Managers may impose more restrictive account requirements and varying billing practices than TWC. In such instances, TWC may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

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

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### **Investment Strategies & Methods of Analysis**

TWC's Investment Management services are offered through the firm's Private Client Program, which consists of three levels:

#### **Level 1 – Investment Management Only**

Level 1 consists of an asset allocation and investor reporting service designed for use to manage clients' account assets. The primary investment objectives of Level 1 are to preserve capital and obtain capital growth and/or income.

This Level begins with developing an investment policy statement ("IPS") that balances clients' overall financial objectives with their individual attributes, including, but not limited to, risk tolerance, income requirements, liquidity requirements, and investment horizon. The IPS will generally allocate investment assets among several classes of U.S. and international securities. The IPS suggests an investment strategy based on (a) this investor information and (b) a simulation of investment results. By changing the input of one more variable, TWC can present several simulations to help clients determine the asset allocation that best suits them. TWC will typically implement the IPS with no-load mutual funds or a core of no-load mutual funds combined with individual stocks, bonds, commercial paper, municipal securities, U.S. government securities, and certificates of deposit. In some cases, the IPS will be implemented entirely in fixed income investments through money managers (discussed below). Clients are under no obligation to implement the IPS developed by TWC and may specify any investment restrictions upon opening the account or at any time thereafter.

#### **Level 2 – Asset Management & Cash Flow Planning**

Level 2 of TWC's Private Client Program consists of (1) an asset allocation and investor reporting service and (2) a cash flow analysis featuring probabilistic forecasting designed for use in connection with the management of client assets. The primary investment objectives of Level 2 are identical to Level 1. As in the case of Level 1, Level 2 of the Private Client program begins with the development of an IPS, which is then implemented in the manner set forth above concerning Level 1. Once the IPS is completed, TWC will prepare the client's cash flow analysis report using the client's information or the client's advisors. The cash flow analysis may contain recommendations relating to the accumulation and duration of clients' wealth given their financial circumstances and goals. It will be updated periodically as appropriate to clients' circumstances. It is incumbent on clients to advise TWC about cash flow issues and whether they want to address them. TWC believes cash flow planning is important and that there should be an ongoing review of cash flow planning issues and concerns. However, if the client does not wish to take advantage of TWC's offer of cash flow planning, there is no change in TWC's fee schedule.

#### **Level 3 – Asset Management & Integrated Wealth Planning Services**

Level 3 of TWC's Private Client Program consists of (1) an asset allocation and investor reporting service and (2) a holistic, integrated wealth planning service designed for use in connection with the management of clients' assets. The primary investment objectives of Level 3 are identical to those of Levels 1 and 2.



As is the case with Levels 1 and 2, Level 3 of the Private Client program begins with the development of an IPS, which is then implemented in the manner described above with respect to Levels 1 and 2. Once the IPS is completed, TWC will prepare one or more wealth planning analyses appropriate to the client's circumstances related to cash flow, wealth preservation, and wealth transfer, using the client's information or the client's advisors. These reports may set forth recommendations relating to the accumulation, protection, and transfer of clients' wealth given their financial circumstances and goals. The initial reports prepared for clients will be updated periodically as appropriate to the clients' circumstances. It is incumbent on clients to advise TWC about wealth planning issues and whether they want to address them. TWC believes wealth planning is important and that there should be an ongoing review of wealth planning issues and concerns. However, if the client does not wish to take advantage of TWC's offer of wealth planning, there is no change in TWC's fee schedule.

### **Appointment of Independent Managers**

In general, TWC directly manages that portion of clients' accounts that is invested in mutual funds and generally appoints Independent Managers for the management of those portions of the account, if any, that are invested in individual stocks, bonds, commercial paper, municipal securities, U.S. government securities and certificates of deposit (TWC reserves the right to manage any or all of assets in an account directly). TWC selects the Independent Manager(s) for each account from a group of money managers approved by TWC according to its investment manager selection process, based on each money manager's qualifications, expertise, and track record in managing specific classes of securities. A different money manager may be selected for each asset class within the account.

In connection with its selection of Independent Managers, TWC will rely in part on performance reports prepared by one or more independent service providers. At the time of selection, TWC will notify the client of the approximate percentage of the account managed by one or more Independent Managers and provide the client with each money manager's current written disclosure statement or Form ADV Part II. TWC makes every reasonable attempt to ensure that Independent Managers selected or recommended are properly licensed or exempt from registration. Also, TWC may consider any relevant factor, including investment performance, staffing, operational issues, and the financial condition of each Independent Manager. If, considering these evaluation efforts, TWC determines that it is advisable, and in the client's best interests, it has discretion to terminate any of its Independent Managers and appoint new Independent Managers or manage account assets directly.

### **Risks of Loss**

#### **Mutual Funds & Exchange Traded Funds (ETFs)**

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event, they sell securities for a profit that a corresponding loss cannot offset.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per-share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is usually calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro-rata NAV.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### **Market Risks**

All securities, particularly individual equity and debt securities are subject to market volatility, economic factors, and certain other market risks. The success of an investment may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that TWC will be able to predict those price movements accurately.

### **Use of Independent Managers**

TWC may recommend the use of Independent Managers for certain clients. TWC will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the Independent Manager's ability to successfully implement their investment strategy. In addition, TWC cannot supervise the Independent Managers on a day-to-day basis, other than as previously described in response to Item 4 above.

### **General Risk of Loss**

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Single Family Fund Risk**

With respect to equity investments, TWC invests almost exclusively in mutual and exchange traded equity funds offered by Dimensional Fund Advisors ("Dimensional"). There is risk associated with devoting all one's equity investments to a single strategy employed by a single firm, such as Dimensional, versus multiple strategies at a variety of firms. More specifically, Dimensional's investment strategy is to tilt the equity portion of a client's portfolio toward small company, value, and profitable stocks, which will periodically be out of favor with the markets during certain periods, particularly when growth and large company stocks are in favor. In addition, there will be "tracking error" when comparing the returns of Dimensional's offerings versus certain benchmarks, such as the S&P 500 Index or the Dow Industrials Index, which do not have the same concentration of small cap, value and profitable stocks in their holdings as in a client's portfolio with Dimensional. In addition, if a client later decides to leave TWC and retain another advisor who is not an approved buyer or seller of Dimensional equities, the client will be forced to sell his/hers/their Dimensional investments, causing them to potentially incur a capital gain and related tax.

## **Item 9. Disciplinary Information**

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TWC is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or management integrity. TWC does not have any required disclosures to this Item.

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

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TWC is required to disclose any relationship or arrangement that is material to its advisory business or its clients with certain related persons. TWC does not have any disclosures necessary for this Item.

## **Item 11. Code of Ethics**

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TWC and persons associated with TWC ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with TWC's policies and procedures.

TWC has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by TWC or any other of its associated persons. The Code of Ethics also requires that certain of TWC's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless expressly permitted in TWC's Code of Ethics, none of TWC's Access Persons may affect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold or is being considered for purchase or sale, on behalf of any of TWC's clients.

When TWC is purchasing or considering purchasing any security on behalf of a client, no Access Person may affect a transaction in that security before completing the purchase or until a decision has been made not to purchase such security. Similarly, when TWC is selling or considering the sale of any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements do not apply to (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements, and other high-quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact TWC to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

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As discussed above, in Item 5, TWC generally recommends that clients utilize the brokerage and clearing services of Schwab.

Factors TWC considers in recommending Schwab or any other broker--dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. Schwab enables TWC to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by TWC's clients comply with TWC's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to affect the same transaction where TWC determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including, among others, the value of research provided, execution capability, commission rates, and responsiveness. TWC seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

TWC periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions considering its duty to obtain best execution.

The client may direct TWC in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and TWC will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial

Institutions with orders for other accounts managed by TWC (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads or receive less favorable net prices on transactions for the account than would otherwise be the case. Subject to its duty of best execution, TWC may decline a client's request to direct brokerage if, in TWC's sole discretion, such directed brokerage arrangements would incur additional operational difficulties.

Transactions for each client generally will be independently affected unless TWC decides to purchase or sell the same securities for several clients at approximately the same time. TWC may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among TWC's client's differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

Under this procedure, transactions will generally be averaged as to price and allocated among TWC's clients pro-rata to each client's purchase and sale orders on any given day. To the extent that TWC determines to aggregate client orders for the purchase or sale of securities, including securities in which TWC's Supervised Persons may invest, TWC generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. TWC does not receive any additional compensation or remuneration because of the aggregation. If TWC determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed) ; (iv) for sale allocations, allocations may be given to accounts low in cash;; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, TWC may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker dealers in return for investment research products and/or services that assist TWC in its investment decision making process. Such research will generally be used to service all TWC's clients, but brokerage commissions paid by one client may be used to pay for research not used to manage that client's portfolio. The receipt of investment research products and/or services and the allocation of the benefit of such investment research products and/or services poses a conflict of interest because TWC does not have to produce or pay for the products or services.

#### **Software & Support Provided by Financial Institutions**

TWC does receive from Schwab, without cost to TWC, computer software and related systems support, which allows TWC to monitor better client accounts maintained at Schwab. TWC receives the related support without cost because TWC renders investment management services to clients that maintain assets at Schwab. The software and support are not provided in connection with clients' securities transactions (i.e., not "soft dollars"). The software and related systems support may benefit TWC, but not its clients directly. In fulfilling its duties to its clients, TWC endeavors always to put the interests of its clients first. However, clients should be aware that TWC's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence TWC's choice of broker- dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, TWC receives the following benefits from Schwab: receipt of duplicate client confirmations

and bundled duplicate statements, access to a trading desk that exclusively services its participants access to block trading, which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts, and access to an electronic communication network for client order entry and account information.

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

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For those clients to whom TWC provides investment management services, TWC monitors those portfolios as part of an ongoing process, while regular account reviews are conducted on at least a quarterly basis. For those clients to whom TWC provides wealth planning services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of TWC’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with TWC and keep TWC informed of any changes thereto. TWC contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker dealer or custodian for the client accounts. Those clients to whom TWC provides investment advisory services will also receive a report from TWC that may include such relevant account and/or market related information such as an inventory of account holdings and account performance quarterly. Clients should compare the account statements they receive from their custodian with those they receive from TWC.

Those clients to whom TWC provides wealth planning services will receive reports from TWC summarizing its analysis and conclusions, as described above in Item 4.

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

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If a client is introduced to TWC by either an unaffiliated or an affiliated promoter, TWC may pay that promoter a referral fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from TWC’s investment management fee and does not result in any additional charge to the client. If the client is introduced to TWC by an unaffiliated promoter, the promoter provides the client with a copy of TWC’s written disclosure brochure, which meets the requirements of Rule 204--3 of the Advisers Act, and a copy of the promoter’s disclosure statement containing the terms and conditions of the promoter arrangement, including compensation. Any affiliated promoter of TWC discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of TWC’s written disclosure brochure at the time of the solicitation.

### **Item 15. Custody**

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TWC’s Agreement and/or the separate Agreement with any Financial Institution may authorize TWC through such Financial Institution to debit the client’s account for TWC’s fee and to directly remit that management fee to TWC in accordance with applicable custody rules.

The Financial Institutions recommended by TWC have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account, including the amount of management fees paid directly to TWC. In addition, as discussed in Item 13, TWC also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from TWC.

TWC has adopted the following safeguards in conjunction with our custodian regarding the

disbursement of client funds under a standing letter of authorization ("SLOA"):

1. The client provides an instruction to the qualified custodian, in writing, which includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We follow the above guidelines and, therefore, do not require additional oversight like firms that do not follow the above safeguards. TWC does not allow the firm or its associated persons to obtain physical custody of, or to control, client assets.

## **Item 16. Investment Discretion**

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TWC is generally given the authority to exercise discretion on behalf of clients. TWC is considered to exercise investment discretion over a client's account if it can affect transactions for the client without first having to seek the client's consent. TWC is given this authority through a power of attorney included in the Agreement between TWC and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). TWC takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

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

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TWC will not vote nor advise clients on how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for voting these proxies. The third-party money manager may vote proxies on the client's behalf. TWC does not give any advice or take any action concerning the voting of these proxies. You may contact the third-party manager to request information about how proxies were voted for that client's securities.

## **Item 18. Financial Information**

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TWC does not require or solicit the prepayment of more than \$1,200 in fees six months or more in

advance. In addition, TWC is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. TWC has no disclosures pursuant to this Item.