

## Item 1 – Cover Page

**RIVERWATER PARTNERS LLC**

**AND**

**DBA RIVERWATER BLUE**

FORM ADV – PART 2A INFORMATION

March 1, 2024

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**This brochure provides information about the qualifications and business practices of Riverwater Partners LLC (“Riverwater Partners”) and DBA Riverwater BLUE (“Riverwater BLUE”). If you have any questions about the contents of this brochure, please contact us at (414) 858-8000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Riverwater Partners (CRD No. 283540), including a copy of its Form ADV Part 1, also is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).**

*Riverwater Partners is a registered investment advisor. Registration of an investment advisor does not imply any certain level of skill or training.*

## **Item 2 - Material Changes to This Brochure Since Last Annual Update**

There have been no material changes to this brochure since our last update on May 24, 2023.

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## **Item 4 - Advisory Business**

### Firm Description

Riverwater Partners LLC (also known as "Riverwater Partners", "we", "us", "our") is a Wisconsin limited liability company which offers investment advisory services since 2016. Riverwater Partners provides investment management services to a wide variety of clients. Riverwater Partners is wholly owned by Laura Peck, Adam Peck, Matthew Drvaric, Gregory Wait, Nathan Fredrick and Cynthia Bohlen, with Laura Peck as majority owner. Riverwater Partners does not control any other firm nor engage in any other business.

Riverwater Partners has a DBA, Riverwater BLUE ("Riverwater BLUE") that provides investment advisory and consulting services primarily through the internet. The two entities share supervised persons and place of business.

### Riverwater Partners: Investment Management Services

#### **Wealth Management Services**

Our Wealth Management team develops and executes wealth management and financial plans for individuals and families. Our process begins by having clients complete an assessment of financial goals and objectives. We collaborate with clients to analyze their financial position and develop a comprehensive plan based on short- and long-term goals and personal risk tolerances. We offer customized investment portfolios tailored to our clients' risk profiles and objectives, and regularly monitor progress. Services offered include quarterly performance reports, investment manager due diligence, ongoing management and maintenance of investments, cash flow management, portfolio rebalancing, and family wealth transfers.

#### **Asset Management Services**

Our Asset Management team actively manages three distinct separate account equity strategies; Riverwater Sustainable Value Strategy, Riverwater Micro Opportunities Strategy and Riverwater Equity Income Strategy. We apply a value-oriented approach to responsible investing using our disciplined research process, the Three Pillar Approach. Each strategy we manage are composed of focused portfolios that invest in 20-35 stocks.

#### **Institutional Investment Advisory Services**

We provide discretionary and non-discretionary investment advisory and consulting services to institutional clients, including endowments, foundations, non-profit organizations, and qualified retirement plan sponsors. Our advisory services begin with an analysis of our

client's financial position, current investment portfolio and policy, goals, cash flows, time horizon, restrictions, and overall objectives. We provide investment recommendations in line with the asset allocation strategy developed in collaboration with the client. We monitor and manage accounts on a continuous basis and provide quarterly performance measurement reports. We provide advice on a wide range of public and private investments. Riverwater Partners' Institutional Advisory Team typically recommends third party advisors to manage either all or a portion of the client's investment assets. Institutional advisory services include: design and implementation of custom asset allocation strategies, design of 401(k) investment menus, review or development of Investment Policy Statements, investment manager due diligence, performance measurement and reporting, cash flow management, board reporting, fiduciary fee benchmarking, 3(21) and 3(38) fiduciary services.

Investments are not held by Riverwater Partners. Instead, all investments managed by Riverwater Partners are custodied at the brokerage firm through which transactions are placed.

Additionally, Riverwater Partners provides model portfolios to third party advisors.

### **Wrap Fee Program**

Riverwater participates in wrap programs for some clients. The client is charged a combined fee (referred to as a "wrap fee") based upon a percentage of the market value of the account, which generally covers all services for:

- selection of program;
- the investment advisers' fee to manage the client's portfolio on a fully discretionary basis;
- brokerage commissions and, in some instances, dealer mark-ups or mark-downs for the execution of trades by the designated broker;
- acting as custodian for the assets in the client's portfolio which also includes providing the client with trade confirmations and monthly statements;
- periodic evaluation and comparison of account performance; and
- continuing consultations on investment objectives.

Riverwater receives a portion of this "wrap fee" for providing investment supervisory services. In some cases, Riverwater's advisory fee is a separate fee.

## Riverwater BLUE: Investment Management Services

Riverwater BLUE offers investment advisory services to clients through the Schwab Institutional Intelligent Portfolios (IIP) digital platform. Investing services are accessed and offered through Riverwater BLUE's interactive website, [www.riverwaterblue.com](http://www.riverwaterblue.com). Riverwater BLUE accounts are allocated among one of five model portfolios (hereinafter "Model Portfolios"). Riverwater BLUE designed the Model Portfolios and client accounts are managed by Riverwater BLUE investment adviser representatives. The Model Portfolios utilize mutual fund investments which consist of multiple asset classes. The Model Portfolios are as follows; 1.) Sustainable Income, 2.) Sustainable Income & Growth, 3.) Sustainable Growth & Income, 4.) Sustainable Growth and 5.) Sustainable Aggressive Growth.

In order to determine a client's appropriate Model Portfolio, clients provide information about themselves and their investment objectives exclusively through electronic means via an online questionnaire on the Schwab IIP website. The client answers questions about his or her assets, goals, risk aversion and time horizon and an algorithm is used to designate individual client accounts into the appropriate Model Portfolio. The algorithm is only used to designate individual client accounts into a predetermined Model Portfolio. The algorithm does not manage client accounts and the algorithm is not responsible for building the Model Portfolios. The algorithm is provided through the Schwab Institutional Intelligent Portfolios (IIP) digital platform. Schwab IIP does not act as an investment manager or adviser to client accounts, but rather acts as a technology service provider.

The Model Portfolios were developed by Riverwater BLUE based on tenants of modern portfolio theory. Ongoing management of the Model Portfolios and client accounts is further based on modern portfolio theory. Modern portfolio theory seeks to maximize the expected return of a portfolio at a given level of risk. Advantages of modern portfolio theory include an investor's ability to reduce the risk exposure of individual assets through diversification of historically low-correlated asset classes. Disadvantages include the assumptions that investors engage in rational behavior and that asset class correlations may change over time, especially during times of crisis. Funds comprising the Model Portfolios are limited to Sustainable, Responsible and Impact (SRI) investment funds. Further information regarding SRI investments may be found in Section 8.b. of this brochure.

Using Schwab's digital IIP platform, Clients can electronically enter into an advisory agreement with Riverwater BLUE and open a brokerage account with Charles Schwab Corporation (Schwab), an SEC registered broker dealer acting as the custodian of client accounts. Riverwater BLUE maintains discretion over client accounts and implements trade orders based on a client's Model Portfolio (including, as applicable, any trade orders initiated by changes to the Model Portfolio made in Riverwater BLUE's discretion).

Clients should understand that the algorithm is entirely dependent on receiving accurate information from clients. If clients provide inaccurate information with regard to a client's assets, goals, risk aversion and time horizon, or if a client fails to update promptly their information when it changes, it could materially impact the quality and applicability of the algorithm's recommendations. Though the algorithm provides a recommendation based on information received from the client, the client is ultimately responsible for the selection of an appropriate Model Portfolio and for inputting changes to the client's assets, goals, risk aversion and time horizon. However, Riverwater BLUE has the capability to override the algorithm Model Portfolio recommendations and will do so when in the client's best interest. Any changes to the algorithm must be communicated to the client in writing. Clients may update their information on the adviser's website, [www.riverwaterblue.com](http://www.riverwaterblue.com). Information should be updated whenever there are changes to a client's assets, goals, risk aversion and time horizon.

Riverwater BLUE investment adviser representatives rebalance client accounts from time to time in the adviser's sole discretion. The algorithm does not rebalance client accounts. Riverwater BLUE may change the specific mutual funds that comprise a Model Portfolio without notice to clients. The algorithm does not change the mutual funds which comprise a Model Portfolio. In the event a client provides Riverwater BLUE with information not ordinarily considered by the algorithm when a Model Portfolio is recommended (for example, liquidity needs) Riverwater BLUE may override the algorithm's recommendation, subject to approval by the client.

Riverwater BLUE also provides Financial Planning Services directly to clients for an additional fee.

### Client Tailored Relationships and Restrictions

As a fiduciary, Riverwater Partners and Riverwater BLUE always act solely in your best interest. Your portfolio is allocated based on your investment objectives. Clients may impose reasonable restrictions on investing in certain securities or types of securities within a client's allocated investment model.

### Assets under Management

As of December 31, 2023, Riverwater Partners, including the DBA Riverwater BLUE had approximately \$ \$871,740,008 in total assets under management, of which \$ \$159,686,140 are discretionary and \$ \$712,053,868 are non-discretionary.

## Item 5 - Fees and Compensation

### Riverwater Partners: Investment Management Services Fee

Fee schedules are negotiated on a case-by-case basis with each client and determined upon a number of factors including the amount of work involved, the assets placed under management and the attention needed to manage the account. The highest management fee a client will pay is 1%. Fees for Investment Management Services are calculated as a percentage of the total value of investments under management. In addition to this advisory fee, there will be transactional, administrative, servicing fees and commissions charged by the account custodian.

Fees are payable either quarterly in arrears, in which fees are calculated based on the market value of the account as of the last business day recently completed calendar quarter, or in advance, in which fees are calculated based on the market value of the accounts based on the last business day of the previous calendar quarter.

All fees, and the schedule in which they are due, are set forth in each client's Investment Management Agreement.

The initial quarter is charged from the date of inception of the agreement through the end of the first calendar quarter. Riverwater Partners may at its discretion aggregate accounts for fee calculation purposes. Assets deposited into accounts exceeding \$20,000 during any quarter may, at Riverwater Partners' discretion, be charged a prorated quarterly fee based upon the number of days services were provided to the deposited amount(s) during the quarter. No adjustment is made to the quarterly fees for changes in the market value of securities or for partial withdrawals.

Fees will be prorated to the effective date of termination upon termination of the account which can occur by ten (10) days advance written notice from one party to the other. Any pre-paid fees will be refunded for the partial period in which the account was under management.

Fees payable to Riverwater Partners for Investment Management Services are deducted from the client's account when due. The client will receive reports from the account's custodian which show the fee calculation and debits. We will liquidate money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be liquidated. Authorization for the deduction of fees this way is contained in the services agreement. The client may terminate the authorization for automatic deduction of the advisory fee payable to us at any time by notifying us in writing. Riverwater Partners has the right to modify its fee schedule upon thirty (30) days advance written notice to the client.



### Riverwater BLUE: Investment Management Services Fee

Clients pay a single asset-based fee of sixty (60) basis points (0.60%) per year. The fee is not negotiable. The fee is pro-rated and charged monthly in arrears. Fee payment is made through an automatic deduction from a client's account, in accordance with applicable custody rules.

### Riverwater BLUE: Planning Services Fee

Riverwater BLUE's hourly fee for Financial Planning Services varies from \$150 to \$300 per hour and depends upon the nature and scope of the advice requested by the client, nature and number of investments in a client's portfolio, amount and nature of research required to complete the project and the scope and number of reports requested by a client. Prior to engagement, each client signs an agreement which provides an estimate of the total fee for services. A portion of the fee is due at contract signing and the balance is due promptly after services are completed. A minimum fee may also apply.

### Other Fees

In connection with Riverwater Partners and Riverwater BLUE's advisory services, clients may incur and are responsible for the fees and expenses charged by their custodians and imposed by broker-dealers. Such fees may include, but are not limited to, custodial fees, transaction costs, fees for duplicate statements and transaction confirmations, brokerage commissions, mutual fund expenses and fees for electronic data feeds and reports. ***Please refer to Item 12: Brokerage Practices on how we select the broker-dealers used to transact in the client's account, which also impacts the additional fees clients will pay.***

Holdings in a client's account may include mutual funds and ETFs. All fees paid to us for investment advisory services are separate and distinct from the fees and expenses charged by these funds to their shareholders. These fees and expenses are disclosed in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Such charges, fees and commissions are exclusive of and in addition to our fee. We do not receive any portion of these commissions, fees and costs. While we typically recommend no-load funds, if the fund also imposes a sales charge, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the service of Riverwater Partners or Riverwater BLUE. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual fund or ETFs are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the mutual funds and ETFs and the fees charged by us to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

An individual at Riverwater Partners holds their insurance license and may recommend insurance products, in which clients will pay a commission. Riverwater Partners will not charge clients investment management fees for those products.

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

Neither Riverwater Partners nor Riverwater BLUE charge performance-based fees. All fees are disclosed above under Item 5.

## Item 7 - Types of Clients

### Riverwater Partners

Riverwater Partners offers financial planning, consulting, and investment management services to a wide variety of clients, including but not limited to, individuals, entities, pension and profit plans, trusts, estates and charitable organizations, corporations, and other business entities.

We require a minimum account size of \$1,000,000. We reserve the right to make exceptions to the minimum account size and/or reject or terminate any account for any reason.

### Riverwater BLUE

Riverwater BLUE provides advisory services to a wide range of individual clients. We require a minimum account size of \$5,000. We reserve the right to make exceptions to the minimum account size and/or reject or terminate any account for any reason.

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

### Riverwater Partners: Asset Management Method of Analysis and Responsible Investing Process

Riverwater Partners' security analysis methods include, but are not limited to, charting (using charts to track individual security or market movements over time); fundamental analysis (evaluating securities based upon its historical and projected financial performance); technical analysis (examining technical moves in the price of an issue based upon peer securities or comparisons to an investment sector or index); and cyclical analysis (determining the desirability of an issue based upon the status of an issue within the price cycle the security or similar securities have followed historically).

#### **Three Pillar Approach to Investing**

We create a watchlist of companies that we believe have enduring franchises. The list is created through management meetings, intensive reading of company filings, media sources and screening. Our screens focus on companies that earn their cost of capital and have grown sales over the last 10 years. Companies that are attractively valued are further vetted using the *Riverwater Three Pillar Approach*®.

- I. **Pillar One: Exceptional Management Teams.** We focus on teams that exhibit a history of making wise capital allocation decisions and are aligned with shareholders.
- II. **Pillar Two: Superior Business.** We look for unique and sustainable businesses with defensible moats allowing them to consistently earn and exceed their cost of capital.
- III. **Pillar Three: Attractive Valuation.** Companies should be able to consistently generate or grow free cash flow throughout an economic cycle with flexible balance sheets. We prefer to pay either at or below market multiples on earnings.

#### **Asset Management Responsible Investment Philosophy**

Riverwater Partners believes Responsible Investment is in the best interest of our clients, our firm, our communities, and our society. Therefore, we integrate a focus on Environmental, Social, and Governance (ESG) policies, practices, and outcomes, alongside more traditional investment criteria, when we evaluate potential investment candidates. We are long-term investors; therefore, we believe it is imperative to consider the long-term risks and

opportunities which Environmental, Social, and Governance factors may present to the businesses in which we invest.

Many believe one must sacrifice financial gain to achieve real economy gain; however, history has shown that companies that incorporate ESG policies and practices into running their businesses generate superior returns versus companies that do not. These better business practices generally result in meaningful financial gain in the form of increased revenue (as customers want to support the efforts) and/or decreased expenses (because of lower energy consumption, for example), potential liability, or reputation risk, resulting in superior returns over the long term. The fact that sustainable business practices have been shown to result in superior financial returns over time, often with lower volatility, allows Riverwater to uphold its fiduciary duty to clients by incorporating a sustainability lens into its investment process.

Riverwater Partners seeks best-in-class ESG efforts generally; additionally, Riverwater invests in companies that have not yet made a significant commitment to ESG (perhaps because they are unaware of its benefits to all stakeholders), if they will engage with us regarding improving their ESG policies and practices. This ESG momentum is intended to bring about enhanced real economy benefits, and ultimately, better financial outperformance. Riverwater expects improvement over time with respect to ESG practices that are salient to a business and its stakeholders; if engagement is not effective, particularly in partnership with other investors, divestment will be considered.

Riverwater Partners publicly reports on its Sustainable Investment practice and outcomes in its annual Sustainability Report and in its Proxy Voting outcomes.

### **Riverwater Partners Three Pillar Approach to Responsible Investment**

Riverwater Partners uses a Three Pillar Approach when evaluating a company's ESG efforts:

#### **I. Due Diligence**

Riverwater Partners screens for certain negative business practices and therefore avoids companies that derive a significant portion of their profits from tobacco, alcohol, pornography, illegal drugs, recreational cannabis, gambling, for-profit prisons, and unconventional weapons.

Riverwater Partners analysts and portfolio managers research current ESG efforts of companies, gathering information from sustainability reports, financial statements, corporate disclosures, and third-party sustainability experts. In addition, we inquire about ESG efforts when we speak with management directly.

Riverwater Partners seeks best-in-class ESG efforts in portfolio companies. Our practice focuses on those factors which are most salient to the sustainability of a business and its

stakeholders, based on its industry, in an effort to generate meaningful financial and real-world impact. Our collaboration partners help inform our efforts toward sustainability goals, including but not limited to those put forth in the Task Force on Climate-related Financial Disclosure (TCFD), UN Guiding Principles on Business and Human Rights (UNGPs), UN Sustainable Development Goals (SDGs).

Riverwater Partners considers a company's ESG efforts, and willingness to work toward greater ESG efforts, as part of its decision to establish, maintain, or eliminate a position. We take into account a company's industry, size, age, peers, and willingness to do more, when evaluating its ESG policies and practices.

Riverwater Partners maintains a proprietary database of the ESG efforts of the companies in which we hold positions, those under consideration, and peer companies. Companies receive points for having a sustainability report, for inclusion in ESG Indices, and for the nature of their business being socially responsible, in addition to these ESG factors:

ENVIRONMENTAL FACTORS	SOCIAL FACTORS	GOVERNANCE FACTORS
<ul style="list-style-type: none"> <li>• Energy Stewardship</li> <li>• Water Stewardship</li> <li>• Emissions Stewardship</li> <li>• Waste Reduction</li> <li>• Recycled Materials Used</li> <li>• Supplier Environmental Standards</li> </ul>	<ul style="list-style-type: none"> <li>• Fair Treatment of Employees</li> <li>• Employee Diversity</li> <li>• Worker Safety</li> <li>• Product Safety</li> <li>• Supply Chain Human Rights</li> <li>• Giving Back to Community</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Diversity</li> <li>• Board Diversity</li> <li>• Board Chair/CEO Separate</li> <li>• Executive Pay Tied to Performance</li> <li>• Stock Ownership Requirement for Executives/Board</li> <li>• UN Global Compact/PRI Signatory</li> </ul>

Companies receive a score (maximum of 25) reflecting their ESG efforts. Scores are then weighted by industry, allowing comparison of efforts based on industry relevance. Scores are then weighted by company size, recognizing that ESG efforts are costly and time consuming, particularly for smaller companies. Data is used to compare companies and track progress toward ESG impact.

Riverwater Partners screens outside managers for ESG efforts. Using publicly available information, and through interviews with external managers, we consider an external manager's investment policy in order to determine if their practices align with our objectives. This includes their definition of ESG, how the ultimate decision makers incorporate ESG, and financial and real economy impact.

Riverwater Partners incorporates specific client-mandated preferences regarding ESG, as needed.

## **II. Engagement**

Riverwater Partners engages company executives and boards regarding their ESG efforts, or lack thereof, in order to assist them in understanding the benefits of, and in initiating and/or improving their ESG efforts. It is our goal to promote greater impact over time with respect to improved corporate governance, fair treatment of all stakeholders, improved environmental practice, and ultimately, superior financial outcomes and real economy benefits.

Riverwater Partners partners in engagement with other shareholders and NGOs if appropriate, including writing letters, participating in dialogue, filing shareholder resolutions, etc. Partnership offers increased expertise and experience. In addition, it strengthens the case for the engagement.

Riverwater Partners documents and follows up on our engagement efforts. If a company is unresponsive or unwilling to improve its ESG efforts, we will consider divestment.

Riverwater Partners votes proxies of portfolio companies according to our Proxy Voting Policy, which favors management and shareholder resolutions that align with our ESG views. We write to Boards of Directors when we vote against management on an issue.

## **III. Collaboration**

Riverwater Partners collaborates with local, regional, and national organizations to inform and become informed regarding ESG issues and practices, and to increase our collective impact in moving companies toward business practices that reduce risk and enhance opportunity, benefit all stakeholders, and ultimately result in superior financial performance and real economy benefits.

Riverwater Partners is a member of US SIF, CDP, The Water Council, Seventh Generation Interfaith Coalition for Responsible Investment, Interfaith Center on Corporate Responsibility, Ceres, and is a signatory of United Nations PRI. In addition, Riverwater Partners is a Certified B Corp. Membership in these organizations provides us with thought leadership on best practices, current trends, and impact, which enables us to focus our ESG lens effectively. Riverwater Partners also partners with these organizations in engagement with companies and policy makers regarding salient ESG issues, the goal being to promote sustainability for people, planet, and prosperity.



## Riverwater Partners: Wealth Management Method of Analysis and External Manager Due Diligence, Including ESG

Riverwater Partners Investment Advisory Group may recommend third-party managers to our wealth management and institutional clients. Our manager search and evaluation processes utilize a disciplined approach while providing flexibility for client variables. Our in-house due diligence is supported by external databases and analytical tools. We incorporate both quantitative and qualitative criteria when screening and evaluating managers, including portfolio manager tenure, portfolio manager ownership levels, management fees/expense ratios, performance vs. benchmarks and peers, consistency of returns, risk/return measurement, organizational history, investment strategy and investment process.

Riverwater also evaluates the level of ESG Integration for each external manager on the Riverwater Select List. The Riverwater Select List is a list of approved managers that have completed a rigorous due diligence process and in whom we believe are most capable of possibly outperforming the market over a full market cycle. These are the first investments we use to populate client portfolios.

Our third-party manager analysis includes personal interviews with the portfolio management team, as well as members of the firm's ESG team.

The performance of all third-party managers/strategies in our clients' portfolios are regularly monitored and evaluated. Strategies that fail to pass our performance criteria are typically placed on our internal "watch list" for further due diligence and evaluation. If, based on our ongoing analysis, we believe a manager/strategy is no longer appropriate for our clients' portfolios, we will recommend and execute a manager change.

## Riverwater BLUE: Method of Analysis

Riverwater BLUE's allocated investment models are personalized to a client's goals, time horizon, risk capacity, and current financial assets.

### **Investment Strategies**

The following criteria are used in our investment selection; asset class, style, transaction fees, expense ratios, assets under management, risk, returns as compared to index and peer groups, up and down market capture ratios, performance track record over three (3) or more years, manager tenure, style consistency, diversity of holdings and turnover.

Riverwater BLUE's investment strategy includes Sustainable, Responsible and Impact (SRI) investment funds. SRI funds incorporate environmental, social and governance (ESG) criteria

in their investment process. Examples of ESG issues that might be considered include, without limitation:

1. Environmental: Toxic emissions and waste, water management, energy efficiency, alternative energy and climate change.
2. Social: Product safety and quality, labor management, working conditions, education, community engagement and human rights.
3. Governance: Board diversity, accounting and audit quality, transparency and stakeholder rights.

Certain funds may exclude companies that are involved with the production of alcohol, tobacco, weapons, fossil fuels, carbon-based energy, or other products or processes deemed to be socially or environmentally harmful.

Most funds incorporate positive ESG criteria, based on research concluding companies that voluntarily adopt environmental and social policies have financially outperformed those that have not adopted such policies.

Certain funds target “Impact” investments that are designed to positively impact communities in themes such as affordable housing, affordable healthcare, education and child welfare, environmental sustainability, health communities, enterprise development, disaster recovery, redevelopment of blighted communities, or deforestation.

Fund managers often use their platform as stock or bond holders to become actively involved in shareholder advocacy for improved environmental, social and governance performance. Advocacy “tools of change” may include:

- Direct dialog with executives
- Shareholder resolutions
- Proxy voting
- Research and analysis
- Public policy initiatives
- Letter writing/email campaigns
- Congressional testimony
- Annual shareholder meetings

Riverwater BLUE will not implement strategies to minimize tax burdens. All tax consequences are the responsibility of the client.

## Risk of Loss

Neither Riverwater Partners nor Riverwater BLUE guarantees the results of the advice given. Thus, significant losses can occur by investing in any security, or by following any strategy, including those recommended or applied by Riverwater Partners, Riverwater BLUE or its representatives that clients must be prepared to bear.

We may affect transaction in the following types of securities:

- **Equity Securities** - Investing in individual companies involves risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.
- **Mutual Fund Securities** - Investing in mutual funds carries inherent risk. The major risks of investing in mutual funds include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of the individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries.

In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

- **Exchange-Traded Funds** - Exchange-traded funds (ETFs) are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses. Investment in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on

the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral.

- **Fixed Income Securities** - Fixed income securities carry additional risks other than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity, the less volatile the price swings. Foreign bonds have liquidity and currency risk.
- **Corporate Debt Securities, Commercial Paper and Certificate of Deposit** - Corporate debt securities, commercial paper, and certificates of deposit carry additional risks other than those of equity securities described above. The risks include the company's ability to retire its debt at maturity, the current interest rates environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign), and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity, the less volatile the price swings. Foreign bonds have liquidity and currency risk. Commercial paper and certificates of deposit are generally considered safe investments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity, there can be prepayment penalties if the client's needs to convert the certificate of deposit to cash prior to maturity.
- **Municipal Securities** - Municipal securities carry additional risks that those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

In addition to the risks described above, Riverwater Partners is also subject to Cybersecurity Risk:

- **Cybersecurity Risks** - Cyber-attacks, disruptions, or failures that affect Riverwater Partners' service providers or counterparties may adversely affect a portfolio and its investors, including by causing losses for a portfolio or impairing operations. For

example, a portfolio's or its service providers' assets or sensitive or confidential information may be misappropriated, data may be corrupted, and operations may be disrupted (e.g., cyber-attacks or operational failures may cause the release of private investor information or confidential portfolio information, interfere with the processing of investor transactions, impact the ability to calculate the portfolio's value, and impede trading). In addition, cyber-attacks, disruptions, or failures may cause reputational damage and subject the portfolio or its service providers to regulatory fines, litigation costs, penalties or financial losses, reimbursement, or other compensation costs, and/or additional compliance costs. While the firm and its service providers may establish business continuity and other plans and processes to address the possibility of cyber-attacks, disruptions, or failures, there are inherent limitations in such plans and systems, including that they do not apply to third parties, such as other market participants, as well as the possibility that certain risks have not been identified or that unknown threats may emerge in the future.

## **Item 9 - Disciplinary Information**

Neither Riverwater Partners nor Riverwater BLUE have any disciplinary information to report regarding itself or any of its counselors or other related persons.

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

Adam Peck, owner of Riverwater Partners is a board member at Coral Gables Trust Company. He is also a manager for Armada Equity Partners, LLC, the general partner to Arbel Growth Partners, where he is a managing partner. Arbel Growth Partners has a single venture capital fund invested in emerging natural food companies.

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

### Code of Ethics

Riverwater Partners which includes the DBA Riverwater BLUE has adopted a Code of Ethics that governs potential conflicts of interest we have when providing our advisory services to you. This Code of Ethics is designed to ensure we meet our fiduciary obligation to you and to stress the importance of a culture of compliance within our firm. An additional benefit of our Code of Ethics is to detect and prevent violations of securities laws, including our obligations we owe to you.

Riverwater Partner's Code of Ethics is comprehensive and is supplemented with annual training and on-going monitoring of employee activities. A complete copy of our Code of Ethics will be supplied to you, free of charge, if you request it, using the contact information found on the cover of this brochure.

### Invest in the Same Securities Recommended to Clients

Riverwater Partners employees may buy or sell securities for themselves that they also recommend to clients, which presents a potential conflict of interest. To mitigate this conflict, where a transaction for an employee or an account related to an employee is contemplated, a client's transaction is given priority and processed first. However, in those instances where we believe it is appropriate to "block" (combine) several similar orders for multiple clients into one order to obtain an average price, an employee's order may be included in that block order with the same average price. The block order must in all cases be initiated to meet the objectives of the client within the block without consideration given to a related person being a participant in the block.

### Recommend Securities with Material Financial Interest

Adam Peck is a minority manager for Armada Equity Partners, LLC, the general partner to Arbel Growth Partners, which is closed to any new investors. Some clients of Riverwater have been recommended the fund, when suitable and have been provided full disclosure of this relationship.



## Item 12 - Brokerage Practices

### Selecting Brokerage Firms

Although they generally do not exercise discretion to select brokerage firms, we typically recommend the custodial services of Charles Schwab & Co, Inc., member SIPC ("Service Provider"). Commissions and execution of securities transactions implemented through Service Provider may not be better than the commissions or execution available if the client used another brokerage firm. However, we believe that the overall level of services and support provided to the client by custodians and broker-dealers whom we recommend outweighs the potentially lower costs that may be available from other brokerage service providers.

Riverwater Partners and Riverwater BLUE's fiduciary obligations include the duty to obtain "best execution" of clients' transactions. The use of Service Provider complies with Riverwater Partners and Riverwater BLUE's duty to obtain "best execution", taking into account the full range and quality of a broker's services when placing brokerage, including, among other things, execution capability, commission rate, financial responsibility, responsiveness to the adviser, and the value of any research services provided.

### Riverwater Partners: Research and Soft Dollars

We receive economic benefits through the custody and operating relationships we have with Service Provider that may not be typically available to retail investors. These benefits include the following products and services, provided to us without cost or at a discount: duplicate client statements and confirmations, research related products and tools, consulting services, access to a trading desk serving IARs, access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares directly to or from 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 discounts or no fees on compliance, marketing, research, technology, and practice management products and services provided by third-party vendors. Service Provider may also pay for business consulting, professional services, and research received by Riverwater Partners affiliated persons and may also pay or reimburse expenses (travel, lodging, meals, and entertainment expenses) for our personnel to attend conferences or meetings relating to their service platforms or to their advisor custody and brokerage services generally. Some of these products and services made available by Service Provider may benefit us but may not benefit our clients and some may benefit some clients and not all clients. Such other services made available by Service Provider are intended to help Riverwater Partners manage and further

develop its business enterprise, and such services may or may not depend on the amount of brokerage transactions directed to them.

Other than the services described above, Riverwater Partners may direct transactions and the commissions they generate (soft dollars) to brokerage firms or other parties to receive research or other services. This provides a benefit to Riverwater Partners because we do not have to produce or pay for the research, products, and services. It also provides Riverwater Partners an incentive to select or recommend a broker-dealer based on the firm's interest in receiving the research, products, or services. Clients may pay commissions higher than those charges by other firms because of receiving such economic benefits.

### Riverwater BLUE: Research and Soft Dollars

Riverwater BLUE does not have any soft dollar arrangements.

### Directed Brokerage

Clients should know that not all advisors require clients to use a particular brokerage firm. Because clients having accounts managed by us are required to open accounts with and use the transaction services of Service Provider, we may not be able to achieve the most favorable execution of client transactions. Thus, use of only Service Provider may cost clients more money.

Riverwater Partners and Riverwater BLUE may accept, on a case-by-case basis, and will place orders with brokerage firms pursuant to direction received in writing from the client ("directed brokerage"). In a directed brokerage account, the client may pay higher commissions because the Firm may not be able to aggregate orders to reduce transactions costs or the client may receive less favorable price.

### Order Aggregation

In those instances where we believe it is in the best interests of a client to do so, we will "block" (combine) the client's order with those of other clients having similar orders for the purpose of obtaining an advantageous average price for all accounts participating in the block. Any decision not to block a transaction with those of other clients is based upon Riverwater Partners and Riverwater BLUE deciding that it is more beneficial to time transactions for the benefit of each client's account individually.

### Brokerage Referrals

Riverwater Partners and Riverwater BLUE do not process transactions through a Service Provider in return for the Service Provider referring new clients to us.

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

### Riverwater Partners: Periodic Reviews

Each client's managed portfolio is reviewed by the registered representative responsible for that client relationship as frequently as determined by the representative to ensure the investments in the account are in line with the client's stated investment policy guidelines. Investment purchases and sales are made as deemed appropriate by the representative.

### Riverwater BLUE: Periodic Reviews

Riverwater's Investment Advisory Team will review a client account when triggered by a client modifying their investment objectives through Riverwater BLUE's website, [www.riverwaterblue.com](http://www.riverwaterblue.com).

More frequent reviews are triggered by large deposits or withdrawals, large sales or purchases, or loss of confidence in corporate management, or changes in the economic climate. Riverwater BLUE may also rebalance the account in Riverwater BLUE's sole discretion from time to time.

### Riverwater Partners: Regular Reports

Clients receiving Investment Management Services receive written reports at least quarterly from their account's custodian. The client may receive a written performance report as often as is agreed upon between the client and representative, but not more often than monthly.

### Riverwater BLUE: Regular Reports

Riverwater BLUE shall be under no obligation to provide regular reports to clients. Investment advisory clients receive standard account statements from the custodian of their accounts no less than quarterly. Regular reports are written and are delivered electronically.

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

Neither Riverwater Partners nor Riverwater BLUE have any client referral relationships. Thus, we do not pay any fee to a third party for making client referrals to it.

## Item 15 - Custody

Riverwater Partners and Riverwater BLUE do not act as a custodian for any clients; however, Riverwater Partners and Riverwater BLUE are deemed to have custody to the extent that the firm deducts advisory fees directly from our clients' account and maintains Standing Letters of Authorization ("SLOA") for third party money movement for clients. All Riverwater Partner clients must appoint a qualified custodian as a broker dealer, bank or trust company to maintain custody over their assets. Although Riverwater Partners may suggest a possible custodian to a client, the client must independently choose the custodian and set up a relationship/account with the custodian.

All Riverwater BLUE client accounts are custodied at Charles Schwab & Co., Inc.

To the extent a client receives any account or other investment ownership statement from Riverwater Partners, Riverwater Partners recommends the client carefully compare the report to the custodian's statements.

For clients with SLOA established for third-party money movement, Riverwater Partners and Riverwater BLUE maintain records for each account with SLOA showing that the third party is not a related party of Riverwater Partners.

## **Item 16 - Investment Discretion**

Generally, clients retain Riverwater Partners on a discretionary or non-discretionary basis upon execution of an Investment Advisory Agreement. Clients retain Riverwater BLUE on a discretionary basis.

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

### Riverwater Partners

Riverwater Partners will vote proxies on behalf of clients who have provided prior written approval for advisor to do so. The Firm has adopted and implemented written policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of our clients.

Prior to voting any proxies, Riverwater Partners will determine if there are any conflicts of interest related to the proxy in question. If a conflict is identified, Riverwater Partners may either refrain from voting, notify the client to make their own voting determination or consult with an independent party.

Any client may receive a copy of Riverwater Partners' Proxy Voting Policies and Procedures by submitting a written request to the Firm using the contact information provided on the cover page of this brochure.

We will not vote proxies on behalf of clients who have opted out of Riverwater Partners voting proxies on their behalf, nor will we take any action on legal notices we or a client may receive from issuers of securities held in a client's managed account. The custodian will send all proxy and report information directly to you. However, we are available to answer questions regarding such notices.

### Riverwater BLUE

Riverwater BLUE will not receive and vote proxies or receive annual reports on issues held in your account(s). The custodian will send all expected proxy and report information directly to you. You cannot contact Riverwater BLUE for questions on your proxy votes.

## **Item 18 - Financial Information**

Riverwater Partners and Riverwater BLUE do not receive fees of more than \$1,200 six months or more in advance, thus no financial statement for us is attached. Riverwater Partners has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.



## Privacy Notice

### Riverwater Partners LLC and DBA Riverwater BLUE

This is the Privacy Notice for Riverwater Partners LLC also doing business as Riverwater BLUE, hereinafter referred to as Riverwater. Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, disclose, and protect your personal information. Riverwater is committed to maintaining the privacy of our clients and former clients as set forth below. Please read this notice carefully to understand what we do.

#### Personal information we collect:

The types of personal information we collect will depend on the product and service you have with us, but can typically include:

- Social security number and/or tax id number
- Wire Instructions
- Name and Address

#### Personal information we disclose:

Riverwater does not disclose or sell information about our current or former clients to any third parties, except in the following circumstances:

- To companies that are necessary in order to service your account
- As required by regulatory authorities or law enforcement officials who have jurisdiction over Riverwater, or as otherwise required by law

#### How we protect your personal information:

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

If you have any questions about this notice or our privacy policies, please contact us at 414-858-8000.