



**ITEM 1: COVER PAGE**

**Part 2A of Form ADV: Firm Brochure**

**Stratos Wealth Advisors, LLC**

3750 Park East Drive, Suite 200

Beachwood, OH 44122

440-505-5600

Fax 440-991-1115

[www.stratoswealthadvisors.com](http://www.stratoswealthadvisors.com)

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**This brochure provides information about the qualifications and business practices of Stratos Wealth Advisors, LLC (“SWA”). If you have any questions about the contents of this brochure, please contact your Stratos representative or SWA at (440) 519-2500. 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 Stratos Wealth Advisors, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.**

Stratos Wealth Advisors, LLC is registered with the U.S. Securities and Exchange Commission. Note, however, that such registration does not imply a certain level of skill or training. The oral and written communications we provide to you (including this brochure) are information you use to evaluate us (and other advisers), and thus are a factor in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## **ITEM 2: MATERIAL CHANGES**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Program Brochure.

Clients wishing to receive a complete copy of this brochure may download it from the SEC website as indicated on page 1 of this brochure or contact our Chief Compliance Officer at 440-519-2500.

This section describes the material changes to SWA's brochure since its last amendment.

There are no material changes since the last ADV amendment in September of 2023.

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## ITEM 4: ADVISORY BUSINESS

### Introduction

Stratos Wealth Advisors, LLC (“SWA”) is an SEC registered investment adviser wholly owned within the Stratos Wealth Holdings, LLC family of companies and has been a registered investment adviser since 2016. Stratos Wealth Holdings, LLC is a holding company which owns, among other companies, two other registered investment advisers and a limited purpose broker-dealer, member FINRA/SIPC. Please see Item 10 for more information.

SWA offers services through our network of investment advisory representatives (“IARs”). IARs are independent contractors of SWA and may have their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials and/or client statements. The client should understand that the businesses are legal entities of the IAR and not of SWA. The IARs are under the supervision of SWA, and the advisory services of the IAR are provided through SWA. SWA has these arrangements with the business entities listed in Schedule D of Form ADV.

For more information about the IAR providing advisory services, the client should refer to the Brochure Supplement (also called the ADV Part 2B) for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this brochure before or at the time client engages the IAR. If the client did not receive a Brochure Supplement for the IAR, the client should contact the IAR or SWA at (440) 519-2500.

As of December 31, 2023, SWA had approximately \$4,189,800,000 in assets under management on a discretionary basis and approximately \$25,000,000 in assets under management on a non-discretionary basis.

### Types of Advisory Services

SWA offers various types of advisory services and programs, including but not limited to: advisor-managed wrap and non-wrap programs, asset allocation programs, advisory programs offered by third party investment advisor (“TPIA”) firms, and financial planning services.

Not all services are available to all clients, through all advisers, or in all states. In addition, services may not be available at all custodians.

SWA currently has agreements with the following broker-dealer custodians:

- Fidelity Brokerage Services, LLC and National Financial Services, LLC (collectively referred to as “Fidelity”), Member FINRA/SIPC; and
- Charles Schwab (“Schwab”), Member FINRA/SIPC.

SWA provides non-wrap accounts through each of the above custodians. Not all custodians or products are available to all clients or IARs, or in all states.

Accounts at the custodians listed above are also available under a wrap fee program. Please see the separate SWA Wrap Fee Brochure for further information. There is no significant difference between the way IARs manage wrap fee account and non-wrap fee accounts. However, if a client determines to engage SWA on

a wrap fee basis, the client will pay a single fee for investment management and transaction fees. The services included in a wrap fee agreement will depend upon client needs. If the client determines to engage SWA on a non-wrap fee basis, the client will select services on an unbundled basis, paying for each service separately. Note: when managing a client's account on a wrap fee basis, SWA will receive, as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. Inasmuch as the execution costs for transactions effected in the client account will be paid by the IAR, a conflict of interest exists in that the IAR may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by SWA as a result of the client's participation in the wrap program may be more than what SWA would receive if the client paid separately for investment management and transaction fees.

SWA offers customized individually managed portfolios or management based on model accounts. IARs will determine and present to clients an asset allocation specific to the client based upon a client's individual investment goals, objectives, risk tolerance, and investment time horizon.

### **Advisor-Managed, Non-Wrap Accounts**

For SWA's advisor-managed, non-wrap accounts, the client pays a management fee to SWA and ticket or transaction charges on each transaction executed in the account. The exception is that there may be a select listing of securities (typically reserved to mutual funds) for which no transaction fees will be assessed. However, the security may be subject to a holding period to avoid early liquidation fees. For securities with holding periods, clients are not prevented from liquidating during the holding periods, however, there is a fee associated with liquidations during the holding period.

The IAR will determine and present to clients an asset allocation specific to the client based upon a client's individual investment goals, objectives, risk tolerance, and investment time horizon. Clients may have a customized individually managed portfolio managed by the IAR or participate in various model portfolios designed by IAR(s) consistent with the client's stated investment objective. A model portfolio will be managed similar to other clients utilizing the model. There are no guarantees a portfolio based on a model will ensure positive results. Past performance is no guarantee of future results. In either case, the IAR provides ongoing advice on the selection or replacement of a portfolio based on the client's individual needs. The IAR may choose more than one portfolio to be managed for the client's account. SWA also offers an advisor-managed wrap fee program called the Advisor Wealth Management II Program. Please see the SWA Wrap Fee Program Brochure for further information on this program.

The IAR provides asset management services on an ongoing basis based on the individual needs of the client. The management program through SWA offers clients flexibility among payment structures, custodians and management styles. Management will be on an active basis. Thus, SWA and its IARs will actively monitor the assets in the account and make changes the IAR deems appropriate in light of the circumstances in the market.

Non-wrap accounts are custodied at Fidelity or Schwab. SWA does not take custody except under two conditions which are considered by the SEC to be custody because of our authority and ability to transfer funds.

1. SWA is deemed to have custody because of our ability to deduct our fees from your account. You will receive a statement at least quarterly from the account custodian showing the deduction of our fees from your account. Authorization to deduct our fees from your account is given in the agreement executed between SWA and the client.

2. SWA is deemed to have custody if you establish a standing letter of authorization to direct us to transfer funds or securities from your account to a specified third party and you give us the authorization to change the timing and or the amount of the transfer. SWA does not have the ability to change the third party without your written authorization.

Clients' portfolios may consist of stocks, bonds, Exchange Traded Funds ("ETFs")/Exchange Traded Notes ("ETNs"), no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by SWA.

If the SWA account is opened containing existing securities previously purchased through or is opened with cash proceeds from the sale of securities sold through Fidelity, Schwab, or the IARs, then Fidelity, Schwab, and/or the IAR may have already received commissions on the purchase. Additional commissions will not be charged, however, the fees discussed below will be charged.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. SWA does not offer tax advice, and clients are urged to consult with their tax advisers.

A minimum account value of \$10,000 is required for advisor-managed, non-wrap accounts; however, in certain instances, the minimum account size may be lower.

#### Discretion on Held-Away Assets

When requested by the client, IARs of SWA can provide discretionary investment management and periodic monitoring by leveraging the order management system provided by Pontera with respect to certain accounts (primarily 401(k) participant accounts, health-savings accounts and other assets identified by the client) held with custodians other than those referenced in Item 12. In such instances, the IAR will regularly review the available investment options in these accounts, monitor them, and rebalance and implement its strategies as necessary in the same manner as if such accounts were held with a custodian referenced in Item 12.

#### **Stratos Investment Management, LLC**

SWA sponsors the Stratos Wealth Advisors, LLC Wrap Fee Program and hires Stratos Investment Management, an affiliate of SWA, to act as portfolio manager for that program. SIM also provides subadvisory services to IARs of SWA on a non-wrap basis. SIM offers ongoing portfolio management based on the individual goals, objectives, time horizon, and risk tolerance of each client. The wrap fee program allows the investor to pay one stated fee that includes management fees and transaction costs.

SIM primarily acts as a subadviser. Its portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Portfolio construction
- Risk tolerance
- Regular portfolio monitoring

SIM will typically require discretionary authority in order to select securities and execute transactions without permission from the client prior to each transaction. However, the firm may also provide non-discretionary portfolio management if needed. Advisors working with SIM often recommend Fidelity to maintain custody of clients' assets and to effect trades for their accounts but may also recommend that Schwab maintain custody of client's assets and effect trades for their accounts. SIM seeks to provide investment decisions that are made in accordance with the fiduciary duties owed to its accounts and without consideration of SIM economic, investment or other financial interests. To meet its fiduciary obligations, SIM attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios. It is SIM's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis to avoid favoring one client over another over time. Clients should refer to Items 10 and 14 below for more information about conflicts of interest that may arise when using SIM as a portfolio manager.

SIM is under common control with SWA and Stratos Wealth Partners, Ltd. ("SWP"). SWA and SWP have overlap in personnel with SIM and use SIM as a subadvisor for many client accounts. SIM complies at all times with its fiduciary duty as an investment adviser. Please see Item 10 below for more information about conflicts of interest that may arise when using SIM as a portfolio manager.

For more information regarding SIM, including more information on the advisory services and fees that apply, the types of investments available in the programs, and the conflicts of interest presented by the programs, please see the SIM Form ADV Part 2A Firm Brochure.

### **Financial Planning Services**

As part of its financial planning services, SWA (through its IARs) provides personal financial planning tailored to the individual needs of the client. The services described below may not be available through all IARs. SWA offers Financial Planning Services under the following structures:

#### Financial Plans for a Flat Fee

With this structure, the engagement terminates upon delivery of the financial plan. SWA offers various types and levels of financial planning. The level and type of services will vary among IARs and will depend on the needs of the client.

#### Subscription Financial Planning Services

Clients seeking to receive ongoing financial planning advice may choose to pay a recurring subscription fee for such services. Recurring fees are negotiated between the IAR and the client and reflect the service(s) provided.

#### Hourly Consulting Services

SWA, through its IARs, provides consulting services on an hourly basis. The IAR tailors the hourly consulting services to the individual needs of the client, and the engagement terminates upon final consultation with the client.

#### The Employer Sponsored Account Recommendations ("ESAR") Service

IARs may also provide financial planning advice to plan participants regarding their retirement plans under all financial planning service structures. IARs may provide advice for qualified plan participants. They

will provide specific recommendations to clients if they are not being provided under a separate Stratos program. With this service, an IAR may provide clients with specific investment recommendations for their retirement plan assets that are not managed by a Stratos IAR. It is up to the client to decide whether or not to implement the recommendations made by the IAR. The IAR may provide these services for free, or charge either a flat fee or an hourly fee. The IAR may also provide these services through the Financial Wellness Program or as part of a Subscription Financial Planning Service, however the IAR's fiduciary status changes as listed below.

When providing ESAR services through a one-time engagement (free, flat fee or hourly fee structure) services are not provided on a regular or ongoing basis. The IAR will not be deemed to be a fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA") with respect to the participant's plan assets. To maintain the non-fiduciary status under ERISA, the program limits the number of engagements with any client to one per calendar year.

When providing ESAR services as part of a Subscription Financial Planning Service the services are considered to be provided on a regular or ongoing basis. The advisor assumes the role of fiduciary under the ERISA with respect to the participant's plan assets.

**The following information applies to all Financial Planning services offered by SWA:**

SWA and the IAR do not have any discretionary investment authority when offering financial planning services. The IAR makes recommendations as to general types of investment products or securities that may be appropriate for the client to consider and may also provide recommendations regarding specific investments or securities.

Planning and consulting services are based on the client's financial situation at the time and are based on financial information disclosed by the client to SWA. Clients are advised plans may contain certain assumptions that may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. SWA cannot offer any guarantees or promises that the client's financial goals and objectives will be met. Further, clients must continue to review any plan or analysis and update the plan based upon changes in the client's financial situation, goals, or objectives, or any changes in the economy. Should a client's financial situation or investment goals or objectives change, the client must notify SWA promptly.

Clients are advised that fees for financial planning and/or consulting services are strictly for the planning and/or consulting services. Therefore, clients may pay fees and/or commissions for additional services obtained (e.g., asset management) or products purchased (e.g., securities or insurance).

Financial Planning Services may include, but not be limited to, the following examples of services:

- Retirement Planning
- General, Segmented and Comprehensive Financial Planning
- Educational Planning
- Cash Flow Analysis
- Estate Planning
- Budget Planning
- Tax Planning
- Insurance Needs Analysis
- Business Continuity, Succession and Exit Planning
- Asset Allocation Services
- Sports and Entertainment Management



- Executive Planning
- Corporate Benefit Consulting
- Other planning and consulting services as requested by the client and agreed to by the IAR

SWA will gather financial information and history from clients, which may include, among other things, retirement and financial goals, risk tolerance, investment horizon, financial needs, cost of living needs, education needs, savings tendencies, and other applicable financial information required by SWA in order to provide the investment advisory services requested.

As stated above, the level and type of services will depend upon the needs of the client. Depending on the services requested, clients may receive a written analysis, summary or plan. One or more meetings may be necessary with the client and may involve other professionals, as invited and agreed to by the client (e.g., attorneys and/or certified public accountants). The financial plan may be constructed or prepared by a Stratos party other than the IAR.

SWA and the IAR do not have any discretionary investment authority when offering financial planning.

### **Conflicts of Interest for Financial Planning and Consulting Services**

Under all Financial Planning programs offered by SWA, IARs have a conflict of interest to recommend their own services for asset management and/or insurance. Clients are under no obligation to use SWA or the IAR for the services, or to take action as recommended by the IAR.

### **Third Party Investment Adviser (“TPIA”) Account Management Services**

SWA offers the following TPIA account management programs. Not all of these programs are available to all clients, all IARs or are offered in all states.

Under these TPIA programs, SWA, through its IARs, provides ongoing investment advice to clients that is tailored to their individual needs. IARs may interact with each TPIA as a promoter, a subadvisor, or a dual contract adviser. The IAR’s responsibilities will be different under each respective arrangement. The specifics of the IAR’s role and payment of fees will be governed by the TPIA Investment Management Agreement with SWA, and the client’s agreement with the TPIA. As part of these TPIA services, the IAR obtains the necessary financial data from the client and assists the client with: determining the suitability of the program; setting an appropriate investment objective; and opening an account with the TPIA. In addition, depending on the type of program, the IAR may assist the client with selecting a model portfolio of securities designed by the TPIA, or with selecting a portfolio management firm to provide discretionary asset management services. The IAR may have discretionary authority to select the TPIA or to make changes to the TPIA. It is the TPIA (and not the IAR) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objective chosen by the client. This authorization will be set out in the TPIA client agreement. The disclosure brochure for the particular TPIA will explain whether clients may impose restrictions on investing in certain securities or types of securities.

SWA offers the following programs utilizing TPIA managers:

### **Fidelity Advisory Programs**

SWA may also provide advisory services through Fidelity as the broker-dealer custodian. Below is a brief description of each advisory program available at Fidelity.

**Fidelity Separate Account Network® (“SAN”)** – Fidelity offers a SAN Program, a unified platform for managed portfolios. The SAN Program enables IARs to have the ability to build separately managed account portfolios from a vast network of managers to meet client needs. These portfolios are managed by designated SAN Managers on a discretionary basis. The minimum investment required by each individual SAN Manager must be met. Please refer to the SAN Manager’s Form ADV Part 2A or the comparable disclosure document and the Form ADV Part 2A, Appendix 1 provided to clients by their SWA IAR.

Some managers under the SAN Program may require an additional client advisory agreement with clients in addition to the agreement signed with SWA. For a complete description of the services offered, the programs, the fees charged, and the minimum account requirements, please refer to the separate disclosure brochure (such as Part 2A of Form ADV) maintained by the SAN Manager as provided by the IAR.

Clients should carefully review these additional disclosure brochures for important and specific details including, among other things, fees, experience, investment objectives and risk guidelines, and disclosure of the SAN Manager’s conflicts of interest.

The client and the IAR collectively determine which program to engage. Clients will receive confirmations and statements reflecting all transactions in their account. SWA will not have the discretionary authority to close the account or withdraw funds or securities, with the exception of SWA’s advisory fees on a quarterly basis.

### **Envestnet**

Envestnet provides broad access to financial products, including institutional money managers. In addition, IARs can select from Envestnet’s portfolio consulting group and Fund Strategist Network.

### **Fund Strategist Network**

Envestnet’s Fund Strategist Network provides IARs with access to institutional managers to develop unique strategies for their client’s portfolios. IARs can access asset allocation and investment management assistance from fund strategists who can deliver multi-asset solutions for their clients. The IAR will recommend an appropriate model portfolio. Once the model portfolio is selected, the strategist will be responsible for monitoring the performance of the holdings in their model portfolios and will adjust and rebalance the model portfolio in accordance with their investment strategy. The fund strategist will manage on a discretionary basis. The client may be somewhat restricted in their ability to directly contact and consult with the fund strategists, but the IAR is available to address any questions, issues or concerns about the performance of their accounts. The minimum investment required by each fund strategist, which will vary from \$5,000 to \$50,000.

### **Envestnet ONE, Unified Managed Account (UMA)**

The Envestnet UMA program offers a single portfolio that can access multiple asset managers to address a variety of asset classes. This investment model seeks to deliver the benefits of a traditional separately managed account in a single, broadly diversified portfolio by combining institutional money managers, ETFs and mutual funds into a single portfolio and custodial account. Envestnet also provides overlay management services to seek tax efficiencies and appropriate asset allocation across the portfolio. The minimum investment required for a UMA is \$250,000, but may be negotiated lower at account opening.

## **Schwab Advisory Programs**

SWA may also provide advisory services through Schwab as the broker-dealer custodian. Below is a brief description of advisory programs available at Schwab.

### **Managed Account Select**

This wrap fee program sponsored by Schwab includes brokerage, custody and money manager services. The IAR has access to professional money managers that have been evaluated by Schwab. The money managers will manage the accounts on a discretionary basis. The IAR will have access to ongoing research and comparative reports regarding the money manager selected for clients. The account minimum for the Managed Account Select program is typically \$100,000 for accounts utilizing equities but may be more for fixed income.

### **Managed Account Access**

This wrap fee program sponsored by Schwab also provides access to professional money managers. The IAR will select from an array of money managers and hundreds of investment strategies. The money managers will manage the accounts on a discretionary basis. The account minimum for the Managed Account Access program is typically \$100,000 for accounts utilizing equities but may be more for fixed income.

### **Managed Account Marketplace**

In this program, the IAR will work with the client to negotiate directly with money managers of the client's choosing. Marketplace allows the IAR and the client to use money managers based on their own negotiated arrangements. Account minimums will be as negotiated with the money manager selected.

### **Referral Services for Investment Advisors**

SWA and its IARs may act as referral agents on behalf of TPIAs pursuant to a referral agreement. In such case, SWA provides services to the TPIA related to the referred client. The IAR provides the referred client a disclosure statement regarding the role of SWA and the IAR as a referral agent, but the IAR does not enter into an agreement with the client to provide ongoing investment advice. Instead, the client engages the TPIA for advisory services. Please see Item 14 below for more information about these referral services and the related compensation.

Clients should refer to the disclosure brochure, client agreement and other account paperwork for each TPIA for more detailed information about the services available under the program.

### **Insurance Consulting Services**

SWA has engaged for a fixed annual fee with DPL Financial Partners, LLC ("DPL") to obtain membership access to DPL's platform of insurance consultation services. Through its licensed insurance agents, who are also registered representatives of The Leaders Group, Inc. ("The Leaders Group"), an unaffiliated registered broker-dealer and FINRA member, DPL offers members a variety of services relating to insurance products. These services include, among others, providing members with analyses of their current methodology for evaluating client insurance needs, educating and acting as a resource to members regarding insurance products

generally and specific insurance products owned by their clients or that their clients are considering purchasing, and providing members access to, and marketing support for, commission free products that insurers have agreed to offer to members' clients through DPL's platform. For providing platform services, DPL receives service fees from the insurers that offer their products through the platform. These service fees are based on the insurance premiums received by the insurers from DPL members' clients, and the premiums paid to the insurance companies may be higher or lower and the features of the policies may be different from those that could be purchased elsewhere. DPL is licensed as an insurance producer in Kentucky and other jurisdictions where required to perform the platform services. Its representatives are also licensed as insurance producers, appointed as insurance agents of the insurers offering their products through the platform, and registered representatives of The Leaders Group.

## ITEM 5: Fees and Compensation

The advisory fees payable upon initial implementation are collected directly from the account (provided the client has given SWA written authorization for SWA to deduct the fees directly from the account). Advisory fees for all subsequent periods will be collected directly from the account, provided authorization was obtained. Clients will be provided with an account statement reflecting the deduction of the advisory fee. If the account does not contain sufficient funds to pay advisory fees, SWA has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. The client may reimburse the account for advisory fees paid to SWA, except for ERISA and IRA accounts.

Fees are negotiable and are not based on a share of capital gains/losses upon or capital appreciation/depreciation of the funds or any portion of the funds.

Additionally, in limited cases, the client's managed accounts may be aggregated together to determine a fee breakpoint. Therefore, clients with multiple managed accounts will be charged a fee considering the account values in total. In these cases, and when available, it is a benefit to the client to have an IAR that aggregates accounts. Alternatively, some IARs may charge a corresponding fee based on each account size. Therefore, clients with multiple accounts may pay a different fee depending on the account size.

The maximum annual advisory fee is **2.25%** for advisor-managed non-wrap accounts.

In limited cases, SWA may apply a flat fee to provide asset management services. The maximum flat fee will be no more than 2.25% of the assets under management. Details regarding billing can be found in the client agreement for the applicable accounts. Clients should understand that this may create a conflict of interest, as SWA's and the IAR's compensation does not increase or decrease along with the client's account value.

### *Transaction Charges:*

In addition to the advisory fees above, clients with non-wrap fee accounts will pay a transaction charge for each transaction. Transaction charges are not assessed by SWA and SWA does not share in the transaction charges. The transaction charges are assessed by the broker-dealer executing the transaction and may be changed at any time by the broker-dealer. The following list of fees or expenses are what clients pay directly to third parties, whether a security is being purchased, sold or held in an account(s) under SWA management. Fees are charged by the broker-dealer/custodian.

SWA does not receive, directly or indirectly any of these fees charged to the client. They are paid to the

broker, custodian or the mutual fund or other investment that is held. The fees include, among others:

- Accounts holding Alternative Investments will be charged an annual custodial fee per position per account per year
- Brokerage commissions
- Transaction fees
- Exchange fees
- SEC fees
- Advisory fees and administrative fees charged by mutual funds/ETFs
- Advisory fees charged by subadvisers (if any are used for your account)
- Custodial fees
- Trade-away fees
- Deferred sales charges (on mutual funds or annuities)
- Odd-Lot differentials
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Commissions or mark-ups/mark-downs on security transactions

#### *Ticket Charges*

There are conflicts of interest to consider in connection with the selection of mutual funds and a specific transaction cost commonly known as ticket charge associated with each mutual fund transaction.

As background, custodians often make available mutual funds that offer various classes of shares. Some share classes of a fund charge higher internal expenses, whereas other share classes of a fund charge lower internal expenses. Institutional and advisory share classes (collectively, “institutional shares” or “institutional share classes”) typically have lower expense ratios and are less costly for a client to hold than Class A shares or other share classes that are eligible for purchase in an advisory account. In some instances, a mutual fund offers only Class A shares, but another similar mutual fund may be available that offers institutional shares.

Whether a mutual fund or a specific share class of a mutual fund incurs a ticket charge often depends on whether the mutual fund or the mutual fund share class has 12b-1 fees (fees paid by the mutual fund to distributors of the funds to cover the cost of distribution and/or shareholder services). For instance, where a mutual fund or mutual fund share class has 12b-1 fees can correlate with no ticket charge. Additional fees that could have an impact on whether a mutual fund or mutual fund share class has a ticket charge or not also include recordkeeping fees to the custodian. Mutual funds and mutual fund share classes with no ticket fees (which can be described as NTF shares) usually have higher fees and expense ratios, and the associated costs would be incurred by the client. Mutual funds and mutual fund shares with ticket fees usually have lower fees and expenses, which would lessen the associated fees and expense costs on the client.

SWA has a policy that IARs recommend the lower cost share class reasonably available at the time through the custodian where a client account is located. Furthermore, SWA conducts surveillance to test this policy and maintains a process to reasonably conduct conversions to the lower cost share class, where applicable and possible depending on availability with an individual custodian.

We strongly encourage clients to discuss with their IAR whether lower cost share classes are available with a particular custodian or a particular managed account program; why the particular funds or other investments that will be purchased or held in your account are appropriate in consideration of their expected holding period, investment objective, risk tolerance, time horizon, financial condition, amount invested, trading frequency, the amount of the advisory fee charged; and whether clients will pay higher

internal fund expenses in lieu of transaction charges that could adversely affect long-term performance; and relevant tax considerations.

**Clients using non-wrap fee accounts pay a fee to SWA plus transaction charges. Typically, this option may be more economical for those managed accounts where there is less trading or where mutual funds with no transaction fees will be primarily utilized in the management of the portfolio.**

SWA may, on occasion, aggregate trades for clients and provide clients an average execution price. The fixed transaction costs charged by the broker-dealer for these aggregated trades will be assessed on an individual pro-rated basis.

#### ***Fees and Termination Provisions for Advisor Managed Accounts custodied at Schwab or Fidelity***

Advisory fees will be charged in advance on a calendar quarter basis. Fees will be calculated based upon the average daily value of the portfolio from the prior calendar quarter. Advisory fees for accounts opened on a day other than the first day of the calendar quarterly period or closed on a day other than the last business day of the calendar quarterly period will be prorated based on the number of days in the quarter.

The initial fee for accounts established during a calendar quarter will be billed to the account in advance from the date of the initial deposit to the calendar quarter end based on the value of the initial deposit.

Clients have the option of purchasing many of the securities and investment products made available through SWA through another broker-dealer or investment adviser. However, when purchasing these securities and investment products away from SWA, clients will not receive the benefit of the advice and other services SWA provides.

Partial withdrawals or additional deposits may result in a prorated refund or credit of fees to the client's account(s). Fee adjustments for partial withdrawals and additional deposits may be calculated in arrears on the next quarterly period billing cycle. Fee adjustments will be calculated based on the value at the time of the additional deposit or partial withdrawal.

### **Client Investment Management Agreement Termination**

Clients may terminate, with written notice to SWA, investment advisory services within five (5) business days after entering into the advisory agreement, without penalty or obligation and for a full refund of any prepaid fees. After five (5) business days of entering into an advisory agreement, client will be entitled to a prorated refund of any prepaid quarterly advisory fee based upon the number of days remaining in the quarter after the termination date.

### **Fees for Held-Away Assets**

IARs may provide discretionary investment management services leveraging the Pontera system for accounts including 401(k) participant accounts, health-savings accounts and other assets identified by the client held with custodians other than those referenced in Item 12. The fee will be assessed and billed quarterly based on the account value at the end of the quarter. Fees will be debited from a taxable account as authorized by the client. If the client does not have a taxable account, then the fees will be billed directly to the client. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee based on the number of days remaining in the billing period. An account may be terminated with written notice.

## **Financial Planning and Hourly Consulting Services**

Financial Planning/Consulting Fees may be separate from advisory fees discussed elsewhere. Financial Planning/Consulting Fees are negotiable. Each IAR will negotiate a financial planning/consulting fee with the client and quote a fee prior to any services being rendered. IARs may charge based on a flat or hourly fee. The fee will be based on several factors including but not limited to: the services requested by the client; the complexity of the client's situation; the number of meetings required to complete the requested services; the number of parties and/or other professionals involved; the areas of review and analysis; the staff resources, travel, time and research needed; and the savings to the client as a result of the services. Fees may be different from one IAR to another.

Fees may be paid upon execution of the agreement with SWA or at the end of the engagement. In addition, SWA retains the ability to negotiate an installment payment schedule with the client; however, SWA does not allow for more than six installment payments.

Hourly fees will typically range up to \$500 per hour; however, SWA may permit a higher hourly fee in certain situations. Typically, clients will be provided an estimate of the amount of time needed for the services. No deposit is required at the time of engagement. SWA does not require or solicit prepayment six months or more in advance.

IARs who provide Subscription Financial Planning Services, may charge based on a fixed or tiered fee on a monthly or quarterly basis. IARs may also charge an onboarding fee for new clients entering subscription financial planning services.

Clients may terminate, with written notice to SWA, planning and/or consulting advisory services within five business days after entering into the advisory agreement, without penalty or obligation and for a full refund of any prepaid fees. After five business days of entering into the financial planning advisory agreement, clients may terminate upon SWA's receipt of a client's written notice to terminate. If fees have been prepaid and a financial planning engagement is terminated prior to completion, the client will be entitled to a refund of unearned fees. After completion and presentation of the services no refunds will be issued.

SWA accepts payment by check, credit card and ACH. Note that not all IARs accept credit card and/or ACH payment.

## **Fees for Fidelity and Schwab Advisory Programs**

Fidelity and Schwab charge an asset-based fee for the services provided in their advisory platform programs. The fees vary according to the program utilized, the size of the account and the investment strategy chosen for an account. The fees may be negotiable based on a number of factors that may result in a particular client paying a fee that is different from another client. Clients should discuss fees with their IARs and review program material to ensure they understand the fees associated with a program before deciding to invest in the program.

## **Third Party Investment Advisers**

For TPIAs, clients pay an advisory fee as set out in the client agreement with the TPIA sponsor. The fee is typically negotiated among the TPIA sponsor, the IAR and the client. Fees may be different from one IAR to another. Further, fees are not commensurate with education or experience. The TPIA sponsor may establish a fee schedule or set a minimum or maximum fee. The TPIA fee schedule will be set out in the disclosure brochure provided by the TPIA sponsor. The advisory fee typically is based on the value of

assets under management as valued by the custodian of the assets for the account and will vary by program. The advisory fee typically will be deducted from the account by the custodian and paid quarterly in arrears or in advance. The advisory fee is often paid to the TPIA sponsor, who in turn pays a portion to SWA. SWA and the IAR share such portion of the advisory fee. A TPIA account may be terminated by a party pursuant to the terms outlined in the TPIA client agreement. The TPIA client agreement will explain how clients can obtain a refund of any pre-paid fee if the agreement is terminated before the end of a billing period.

**The maximum total fee is 3%, with 2% being the maximum for the SWA advisory fee and 1% maximum being the TPIA fee.**

There are other fees and charges imposed by third parties that may apply to investments in TPIA accounts. Some of these fees and charges are described below. The client may be charged commissions, markups, markdowns, or transaction charges by the broker-dealer who executes transactions in the TPIA account. There may be custodial related fees imposed by the custodian of assets for the program account. These additional fees and charges will be set out in the TPIA brochure and the agreements executed by the client at the time the account is opened.

If assets are invested in mutual funds, ETFs or other pooled funds, there are two layers of advisory fees and expenses for those assets. The client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. The client will also pay the TPIA advisory fee with respect to those assets. The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, clients could avoid the second layer of fees by not using the advisory services of the TPIA and IAR and by making their own decisions regarding the investment.

A mutual fund in a TPIA program account may pay an asset-based sales charge or service fee (e.g., a 12b-1 fee) that is paid to the broker-dealer on the account. SWA and IARs are not paid these fees for TPIA program accounts.

If the client transfers into a TPIA account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, the client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, the client will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits, or tax harvesting).

If the client holds a variable annuity that is managed as part of a TPIA account, there are mortality, expense and administrative charges, fees for additional riders on the contract, and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If the client holds a Unit Investment Trust ("UIT") in a program account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which clients should request from their IAR.

If the TPIA program is a wrap fee program, clients should understand that the wrap fee may cost the client more than purchasing the program services separately (e.g., paying fees for the advisory services of the TPIA and IAR, plus commissions for each transaction in the account). Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:

- Type and size of the account;



- Types of securities in the account;
- Historical and/or expected size or number of trades for the account; and
- Number and range of supplementary advisory and client-related services provided to the client.

The investment products and services available to be purchased in TPIA program accounts can be purchased by clients outside of a TPIA program account through broker-dealers or other investment firms not affiliated with SWA or the TPIA.

### **Fees for Insurance Consulting Services**

SWA has engaged for a fixed annual fee with DPL Financial Partners, LLC (“DPL”) to obtain membership access to DPL’s platform of insurance consultation services. For providing platform services, DPL receives fees from the insurers that offer their products through the platform. These service fees are based on the insurance premiums received by the insurers from DPL members’ clients. SWA and its IARs receive a portion of the service fees from DPL for ongoing management and investment advisory services related to the insurance products. The receipt of these fees and the payment of the membership fee present a conflict of interest because SWA and its IARs have an incentive to recommend that clients purchase insurance products through DPL. Clients are reminded that they can purchase insurance products from other insurance companies and platforms where premiums may be higher or lower and the features of policies may differ.

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

SWA does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (performance-based fees). Our advisory fee compensation is charged only as disclosed above. SWA does not engage in Side-By-Side Management.

## **ITEM 7: Types of Clients**

SWA provides services to a variety of clients:

- Individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Governmental plans, municipalities
- Not for profit entities
- Bank or thrift institutions
- Retirement plans

A minimum account value of \$10,000 is required for advisor-managed, non-wrap accounts; however, in certain instances, the minimum account size may be lower.

Please see Item 4 for account minimums for other account types on Fidelity and Schwab platforms.

SWA does not require a minimum asset amount for financial planning or hourly consulting.

For TPIAs, the TPIA sponsor typically establishes a minimum account value, which will be set out in the account opening documents with the TPIA sponsor.

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

Affiliated and unaffiliated service providers may develop asset allocation models. The IAR may also develop asset allocation models or use others from outside independent sources. Each IAR develops their own methods of analysis, sources of information, and investment strategies. As such, recommendations by IARs and individual investment portfolios will differ.

A variety of methods and strategies may be utilized when formulating investment advice and managing client assets, methods of analysis may include, but are not limited to:

- Charting Analysis involves the use of patterns in performance charts to identify current trends and trend reversals to forecast the direction of prices;
- Fundamental Analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages; and
- Technical Analysis involves the analysis of past market data (primarily price and volume).

There are certain risks associated with each of these methods of analysis:

**Charting Analysis:** Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of charting analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Fundamental Analysis:** Fundamental Analysis does not attempt to anticipate market movements. This represents a potential risk, as the price of a security can move up or down along with the overall market, regardless of the economic and financial factors considered in evaluating the security.

**Technical Analysis:** The risk of the analysis using mathematical and statistical modeling is that they may not accurately predict future investment patterns. Day to day changes in the market prices of investments may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of analysis using more subjective criteria is that the information obtained to make the analysis may be inaccurate and skew the analysis. In addition, measuring (or weighting) the criteria will likely be inconsistent from one analysis to another and could adversely affect the investment decisions.

Clients' portfolios may consist of stocks, bonds, ETFs/ETNs, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by SWA.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. SWA does not offer tax advice and clients are urged to consult with their tax advisers.

### *Risk of Loss:*

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been liquidated, sometimes called “paper profits”). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets SWA manages that may be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets. SWA does not represent, warrant or imply that the services or methods of analysis used by SWA can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that client’s goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by SWA will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

The IAR has access to various research reports and model portfolios which they can refer to in determining the investment advice provided to clients. The IAR chooses his/her own research methods, investment styles and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable, and each has a risk of loss.

### **Types of Investments and Risks**

SWA and IARs can recommend many different types of securities, including mutual funds, unit investment trusts (“UITs”), closed end funds, Exchange-Traded Funds//Exchange-Traded Notes (“ETFs/ETNs”), variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, and structured products. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some particular risks associated with some types of investments available in the program.

- ***Alternative Strategy Mutual Funds or ETFs.*** Certain mutual funds and ETFs invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes, and potential illiquidity. There are special risks associated with mutual funds and ETFs that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund’s concentration in the real estate industry.
- ***Closed-End Funds.*** Clients should be aware that closed-end funds are not readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis.

Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.

- **ETFs.** ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity, and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- **ETNs.** An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets (e.g., commodity futures, foreign currency, equities). ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. The repayment of the principal, the interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer’s ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer’s credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country, and may therefore carry specific risks.
- **Leveraged and Inverse ETFs, ETNs and Mutual Funds.** Leveraged ETFs, ETNs and mutual funds, sometimes labeled “ultra” or “2x”, are designed to provide a multiple of the underlying index’s return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from, and can be riskier than, traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, the compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored (as frequently as daily) and are generally not appropriate as an intermediate- or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be

based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.

- **Options.** Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. When this occurs, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.
- **Structured Products.** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, while others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.
- **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion that an issuer has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise, and that an investor will not be able to liquidate a bond before maturity.

- ***Hedge Funds and Managed Futures.*** Hedge and managed futures funds may be purchased by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. The client should be aware that these funds are not liquid, as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that the client will be able to redeem the fund during the repurchase offer.
- ***Variable Annuities.*** If the client purchases a variable annuity that is part of the program, the client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. The client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.

#### ITEM 9: Disciplinary Information

SWA is obligated to disclose any legal or disciplinary events that would be material to clients, or potential clients, when evaluating SWA or the integrity of its management team. SWA does not have information to disclose that is applicable to this item.

#### ITEM 10: Other Financial Industry Activities and Affiliations

SWA is wholly owned by Stratos Intermediate Holdco LLC within the Stratos Wealth Holdings, LLC family of companies. Stratos Intermediate Holdco LLC owns the following registered investment advisers and a limited purpose broker-dealer:

1. SWA, a retail investment firm offering advice primarily through IARs who are not securities-licensed;
2. Stratos Wealth Partners, Ltd. (“SWP”), a retail investment firm offering advice primarily through IARs who are securities licensed through LPL, Member FINRA/SIPC;
3. Stratos Investment Management, LLC (“SIM”), an asset management firm acting primarily as a subadvisor;
4. Stratos Wealth Securities, LLC (“SWS”), a limited purpose broker-dealer, Member FINRA/SIPC. SWS does not process securities transactions or maintain client accounts; and
5. Renaissance Investment Group, LLC, a retail investment firm offering advice through IARs who are not securities licensed.

Certain IARs may also be dually registered as IARs of other investment advisers not affiliated with SWA.

The potential for receipt of fees and other compensation gives IARs an incentive to recommend an advisory relationship based on the compensation received rather than on the client's needs or best interests.

IARs are generally independent contractors of SWA, and the experience, level of education, level and/or sophistication of services, and fees will vary. Fees may not be commensurate with education and/or experience. However, the fees clients will pay for advisory services will not exceed the fee schedules set forth in this brochure. Further, clients are advised that they may pay more or less for similar services received by another client serviced by another IAR.

IARs may offer insurance products and services for which commissions will be paid. IARs and other related persons of SWA (defined as any advisory affiliate and any person that is under common control with SWA) may be licensed with various insurance companies. SWA and its IARs and related persons have a conflict of interest when recommending that clients purchase insurance products, as commissions may be earned in addition to fees for investment advisory services. Clients are not obligated to purchase insurance products through SWA or its IARs. Some IARs may spend significantly more or less time offering insurance products and services. The principal business of SWA is not to offer insurance products and services. Less than 10% of SWA's resources are dedicated to insurance business.

IARs may have their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials and/or client statements. The client should understand that the businesses are legal entities of the IAR and not of SWA. The IARs are under the supervision of SWA, and the advisory services of the IAR are provided through SWA. SWA has these arrangements with the business entities listed in Schedule D of Form ADV.

Certain IARs may be certified public accountants ("CPAs") and offer accounting services through their accounting practice. SWA does not endorse or recommend the services of the IARs in their capacity as CPAs. Further, none of the services offered by SWA are to be considered legal or accounting services. Clients are under no obligation to participate in accounting services offered by IARs who may also be CPAs.

As stated above, IARs are generally independent contractors. As such, the IARs have a direct incentive in the advisory fees being charged since a portion of the advisory fee collected by SWA will be paid to the IAR for compensation for advisory services. Further, clients are advised that the amount paid by SWA to the IAR will be based on the production of the IAR. Therefore, the higher sales the IAR generates the more compensation the IAR will receive. Consequently, since production is a basis for determining the IAR's payout, and since a portion of the advisory fees will be retained by SWA, there is a conflict of interest for the IAR to potentially charge a higher fee.

SWA may offer clients the option to utilize the management services of one or more third party managers. As set forth below, IARs have a conflict of interest by having clients utilize the management services of third-party managers instead of directly managing clients' assets.

One of the recommended third-party managers, SIM, is an affiliate of SWA, and clients will pay additional fees to SIM in addition to their IAR's stated management fee. While the IAR does not receive additional fees for offering sub-advisory or wrap services through SIM, SWA does benefit by using an affiliate to manage a client's assets as its corporate parent will receive additional fees for managing those assets. Clients must discuss these conflicts with their IAR and refer to SIM's disclosure brochure for payment terms and conditions.

SWA will assist clients with evaluating their financial situation; presenting one or more third party managers; and selecting a third-party manager's service. Additionally, on an ongoing basis SWA will be available to answer questions clients may have regarding their managed account and act as the communication conduit between the client and the manager. SWA will periodically meet with the client to evaluate the client's account and third-party manager. In addition, if the investment program recommended to a client is a wrap fee program, the client will also receive Part 2A Appendix 1 of the Form ADV or equivalent wrap fee brochure provided by the sponsor of the program. SWA will provide to each client all appropriate disclosure statements, including disclosure of any promoter fees to SWA and its advisory associates. Clients will be charged an advisory fee by the third-party manager selected by the client.

Clients are advised that fees for such programs may be higher or lower than if the client directly obtained the services of the third-party manager, or if the client obtained advisory services separately. Clients should read the third-party manager's disclosure brochure for additional disclosure of its managed program.

Clients may pay transaction fees, account maintenance fees, promoter fees, advisory/management fees and other fees and expenses associated with maintaining the account. Fees will be charged by and collected by the third-party manager, and the third-party manager will allocate SWA's portion of the fee. Therefore, clients must refer to the third-party manager's disclosure brochure for payment terms and conditions. Clients will be charged these fees by the third-party manager selected by the client. Any fee received (promoter, advisory fee, maintenance, etc.) can create a conflict of interest to the IAR since it will not lower the fee the IAR receives for providing clients with advisory services and SWA may receive a portion of the third-party manager's fee.

Clients are advised that fees for such programs may be higher or lower than if the client directly obtained the services of the third-party manager, or if the client obtained advisory services separately. Clients should read the third-party manager's disclosure brochure for additional disclosure of its managed program.

For accounts that utilize a third-party manager, the client will establish a third-party manager custody account at a qualified custodian. SWA will not directly conduct any securities transactions on behalf of the client or participate directly in the selection of the securities to be purchased or sold for the client. Investment decisions are made by the third-party manager in accordance with the agreement between the client and the manager.

As part of financial planning services or hourly consulting services, an IAR may provide recommendations as to investment products or securities. To the extent that the IAR recommends that the client invest in products and services that will result in compensation being paid to SWA and the IAR, this presents a conflict of interest. The compensation to the IAR and SWA may be more or less dependent on the product or service that the IAR recommends. Therefore, the IAR has a financial incentive to recommend that a financial plan or consulting advice be implemented using a certain product or service over another product or service. The client is under no obligation to purchase securities or services through SWA and the IAR.

If the client decides to implement the financial plan or consulting advice through an advisory program or service, the IAR will (at the time of engagement) provide the client with a brochure, client agreement and other account paperwork that contain specific information about fees and compensation that the IAR and SWA will receive in connection with that program. The brochures are also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

When considering whether to implement a financial plan through the IAR and SWA, clients should discuss with the IAR how SWA and the IAR will be compensated for any recommendations in the plan. It is



important to note that clients are under no obligation to implement a financial plan through SWA. Clients should understand that the investment products, securities and services that an IAR may recommend as part of financial planning and hourly consulting are available to be purchased through broker-dealers, investment advisors or other investment firms not affiliated with SWA.

The client should understand that SWA and the IAR may perform advisory services for various other clients, and that SWA and the IAR may give advice or take actions for those other clients that differ from the advice given to the client. The timing or nature of any action taken for the account may also be different.

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

### **Code of Ethics and Personal Trading**

SWA has adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct and fiduciary responsibility to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions and reporting requirements on the acceptance of gifts and personal securities trading policies, as discussed below.

SWA's Code of Ethics is distributed to each employee and IAR at the time of hire/contract, and thereafter as it is modified. In addition, SWA requires an annual certification by all employees/IARs regarding their understanding and compliance with the Code of Ethics.

A copy of our Code of Ethics will be provided to any client or prospective client upon request. You may contact our Chief Compliance Officer at 440-519-2500.

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

IARs of SWA may buy or sell securities that are recommended to clients. IARs will not put their interests before a client's interest. IARs may not trade ahead of their clients or trade in such a way as to obtain a better price for themselves than for their clients. Further, associated persons are prohibited from trading on non-public information or sharing such information. SWA and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

## **ITEM 12: Brokerage Practices**

Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. SWA will generally recommend that clients use Fidelity or Schwab as the qualified custodian.

SWA is independently owned and operated and is not affiliated with Fidelity or Schwab. Both of the recommended custodians will hold client assets in a brokerage account and buy and sell securities when SWA instructs them to. While SWA recommends that clients use Fidelity or Schwab as their custodian, clients will decide whether to do so and will open an account by entering into an account agreement with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). Clients should consider these conflicts of interest when selecting a custodian.

SWA does not maintain custody of client assets on which we advise, although we may be deemed to have custody of client assets if clients give SWA authority to withdraw assets from client accounts (see Item 15 – Custody, below)

SWA does not open the account for clients, although we may assist clients in doing so.

#### **How we select custodians.**

Depending on specific client needs, one broker-dealer or custodian may offer better transaction costs/order processing than another, and those differences are evaluated by the IAR prior to opening a client account. SWA, as an investment adviser, owes a legal and fiduciary duty to its clients, including a duty to seek best execution of client transactions and to make full and fair disclosure to clients about any soft dollar arrangements. While the cost is carefully monitored, cost is not the only determining factor that would influence opening an account at one custodian or another. Important items like financial strength, stability, reputation, research, trading platforms, trading execution, breadth of available investment products, pricing, research, quality of service, administrative efficiencies, and client friendly statements are also considered in the evaluation and selection of a custodian. The lowest cost trade execution is not always the determining factor for the selection of a custodian. However, the client has the right to inquire about opening accounts at these various institutions.

#### **Client Brokerage and Custody Costs**

The custodians generally do not charge separately for custody services, but rather are compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through them or that settle into client accounts. Custodians are also compensated by earning interest on the uninvested cash in client accounts. For some accounts, custodians may charge clients a percentage of the dollar amount of assets in the account in lieu of commissions. The commission rates and asset-based fees applicable to SWA's client accounts are negotiated based on the condition that our clients collectively maintain a total amount of assets in accounts at the custodian. Although this is a conflict of interest and can create an incentive to IARs to recommend these custodians in order to meet the required amount of assets to maintain the negotiated pricing, we believe this commitment benefits our clients because the overall commission rates and asset-based fees clients pay are lower than they would be otherwise.

In addition to commissions or other transaction-related or asset-based fees, if a client participates in a "prime broker" or "trade away" program, the custodian will typically charge a flat fee for each trade that SWA has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition the commissions or other compensation the client pays the executing broker-dealer. Total cost of a transaction is one factor used to determine if/when to trade away from a custodian, as SWA seeks to minimize trading costs. Because of this and in order to minimize a client's trading costs, SWA has Schwab and Fidelity execute most trades for client accounts.

#### **Products and Services Available to SWA from Schwab and Fidelity**

Schwab and Fidelity both provide services to independent investments advisory firms like SWA. They provide SWA and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to retail customers. However certain retail investors may be able to get institutional brokerage services from Schwab or Fidelity without going through SWA. Schwab and Fidelity also make available various support services. Some of these services help us manage or administer client accounts, while others help us manage and grow our business.

Schwab's and Fidelity's support services are generally available on an unsolicited basis (SWA doesn't have to request them) and at no charge to SWA. Following is a more detailed description of the support services.

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

**Services that do not directly benefit clients.** Schwab and Fidelity also make available to SWA other products and services that benefit the firm but do not directly benefit its clients and their accounts. These products and services assist us in managing and administering clients' accounts and operating our firm. They include investment research, both Schwab's and Fidelity's own and that of third parties. SWA uses this research to service all or a substantial number of clients' accounts, including accounts not maintained at Schwab or Fidelity. In addition to investment research, Schwab and Fidelity also make available software and other technology that (i) provide access to client account data (such as duplicate trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide pricing and other market data; (iv) facilitate payment of SWA fees from client accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

**Services that generally benefit only SWA.** Schwab and Fidelity also offer other services intended to help SWA manage and further our business enterprise. These services include (i) educational conferences and events; (ii) consulting on technology and business needs; (iii) consulting on legal and compliance related needs; (iv) publications and conferences on practice management and business succession; (v) access to employee benefits providers, human capital consultants, and insurance providers; and (vi) marketing consulting and support. Schwab and Fidelity provide some of these services themselves; in other cases, they will arrange for third-party vendors to provide the services to SWA. Schwab and Fidelity discount or waive their fees for some of the services or pay all or a part of a third party's fees. Schwab and Fidelity also provide us with other benefits, such as occasional business entertainment of our personnel. If clients did not maintain accounts with Schwab or Fidelity, SWA would be required to pay for those services from our own resources.

**Transition Assistance Benefits.** From time to time, Fidelity or Schwab will provide various benefits and payments to SWA IARs that are new to the Fidelity or Schwab platform to assist them with the costs (including foregone revenues during account transition associated with transitioning their businesses to the Fidelity or Schwab platforms (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including (but not necessarily limited to) providing working capital to assist in funding the IARs business, satisfying any outstanding debt owed to the IAR's prior firm, offsetting ACATs fees payable to Fidelity or Schwab as a result of the IAR's clients transitioning to Fidelity's or Schwab's' custodial platform, technology set-up fees, marketing and mailing costs, stationery and licensure transfer fees, moving expenses, office space expenses, staffing support, and termination fees associated with moving accounts.

The amount of the Transition Assistance payments is often significant in relation to the overall revenue earned or compensation received by the IAR at their prior firm. Such payments are generally based on the size of the IAR's business established at the prior firm and/or assets under custody. Please refer to the relevant Part 2B brochure supplement for more information about the specific Transition Payments your IAR receives.

The receipt of Transition Assistance by such IARs creates a conflict of interest relating to SWA's advisory business. In certain instances, the receipt of such benefits is dependent on an IAR maintaining its clients' assets with Fidelity or Schwab and therefore SWA has an incentive to recommend that clients maintain their account with Fidelity or Schwab in order to generate such benefits.

SWA attempts to mitigate these conflicts of interest by evaluating and recommending that clients use Fidelity's or Schwab's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular IAR. SWA considers Fidelity's and Schwab's stability and size, along with the variety of programs and flexibility in commission rates IARs may charge when recommending or requiring that clients maintain accounts with Fidelity or Schwab. However, clients should be aware of this conflict and take it into consideration in making a decision regarding whether to custody their assets in a brokerage account at Fidelity or Schwab.

### **Our Interest in Custodian's Services**

The availability of these services from our custodians benefits SWA because we do not have to produce or purchase them. SWA doesn't have to pay for custodial services. The custodians have also agreed to pay for certain technology, research, marketing and compliance consulting products and services on our behalf once the value of our clients' assets in accounts at the custodians reaches certain thresholds. These services are not contingent upon SWA committing any specific amount of business to the custodians in trading commissions or assets in custody. The fact that we receive these benefits from the custodians is an incentive for SWA to recommend the use of the custodians rather than making such a decision based exclusively on our clients' interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a conflict of interest. SWA believes, however, that taken in the aggregate our recommendation of the custodians is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of the custodian's services (see "How we select custodians") and not the custodian's services that benefit only SWA.

### **Retirement Plan Participant Accounts**

SWA uses a third-party platform to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows SWA to avoid being considered to have custody of client funds since IARs do not have direct access to client log-in credentials to affect trades. SWA is not affiliated with the platform in any way and receives no compensation from them for using their platform. A link will be provided to the client allowing them to connect an account(s) to the platform. Once client account(s) is connected to the platform, an IAR will review the current account allocations. When deemed necessary, the IAR will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed periodically, at least annually, and allocation changes will be made as deemed necessary.

Brokerage for Client Referrals. SWA does not recommend brokerage for client referrals.

Directed Brokerage. SWA generally does not engage in directed brokerage transactions for clients. In limited circumstances, SWA may allow clients to request to use a particular broker to execute some or all transactions for the client. In those cases, the client will negotiate terms and arrangements for the account with that broker and SWA will not seek better execution services or prices from other brokers or be able to aggregate client transactions for execution through other brokers with orders for other accounts managed by SWA. As a result, the client will potentially 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, SWA may decline a client's request to direct brokerage if, in SWA's sole discretion, such directed brokerage arrangements would result in additional operational difficulties. As a general rule, SWA encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

In connection with TPIA programs, the TPIA sponsor may require that clients direct brokerage to a broker-dealer, including the TPIA sponsor or broker-dealer affiliated with the TPIA sponsor. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to a broker, clients may be unable to achieve the most favorable execution of client transactions and may pay more in transaction charges than other broker-dealer firms. Therefore, directed brokerage may cost clients more money. For more information about the brokerage practices of a TPIA sponsor, clients should refer to the disclosure brochure for the applicable TPIA. For information about other conflicts of interest regarding SWA's arrangements with TPIAs, please also see Item 14—Client Referrals and Other Compensation.

### **Aggregation**

In placing orders to purchase or sell securities in accounts, IARs may elect to aggregate orders (i.e., consolidate smaller orders for the same security into a large order), which generally results in transaction cost savings. IARs will not aggregate transactions unless aggregation is consistent with its duty to seek best execution. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions executed by the IAR in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction.

## **ITEM 13: Review of Accounts**

SWA maintains a compliance program designed to conduct periodic reviews of client accounts. IARs are expected to meet and document reviews with clients on at least an annual basis. Such meetings may include review of accounts statements, quarterly performance reports, and other information or data related to the client's account and investment objectives. Clients may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, IARs will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. Clients are advised that they should notify their IAR promptly of any changes to the client's financial goals, objectives or financial situation as such changes may require the IAR to review the client's portfolio and make recommendations for changes.

Fidelity or Schwab, as the custodian, provides clients with regular written reports regarding their accounts. In addition, Fidelity or Schwab sends client trade confirmations and account statements showing transactions, positions, and deposits and withdrawals of principal and income. Fidelity and Schwab do not send trade confirmations for systematic purchases, systematic redemptions and systematic exchanges. In some cases, SWA provides detailed quarterly performance reports describing account performance and positions. Some managed accounts either send confirmations for each securities transaction in the client's account direct from the account custodian as they occur, and others bundle them to be sent with the periodic statement mailing.

Clients will receive account statements direct from the broker-dealer or account custodian reflecting the deduction of SWA's advisory fee. Clients should carefully review statements received from the broker-dealer or account custodian. Further, clients should compare any written report received from their IAR with statements received directly from the broker-dealer or account custodian. Clients should notify their IAR if they notice any discrepancies between the statement received from their account custodian and quarterly performance reports received from SWA.

For all financial planning services, SWA reviews the deliverable(s) provided to the client to ensure the recommendations were in line with the clients' needs and objectives.

For TPIA services, IARs review, on an ongoing basis, client accounts and meet with clients to review such items as account statements, quarterly performance reports, and other information or data related to the clients' accounts and investment objectives. The TPIA sponsor or custodian of the TPIA account assets send clients regular written reports and statements regarding the account.

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

### **Client Referrals**

SWA may enter into arrangements with individuals ("Promoters") whereby the Promoter will refer clients to SWA that may be candidates for the investment advisory services offered by SWA. In return, SWA will compensate the Promoter for the referral. Compensation to the Promoter is dependent on the client entering into an advisory agreement with SWA for advisory services. Compensation to the Promoter will be an agreed upon percentage of SWA's advisory fee. SWA's referral program is in compliance with the federal regulations. The promoter/referral fee is paid pursuant to a written agreement retained by both SWA and the Promoter. The Promoter will be required to provide the client with a copy of SWA's Form ADV Part 2A and a disclosure document explaining the nature of the Promoter's relationship with SWA, the compensation arrangement and the amount he/she will receive as a consequence of the Promoter arrangements. The Promoter is not permitted to offer clients any investment advice on behalf of SWA. The client's advisory fee will not exceed SWA maximum fees regardless of solicitor or referral arrangements.

SWA may also offer its advisory services through financial institutions such as banks. SWA is not an affiliate of the banks in which its IARs maintain offices, nor are SWA or its IARs employees of the bank. SWA pays a portion of its advisory fee to the bank for the opportunity to conduct business on its premises and for client referrals. This is a conflict of interest in that an IAR has an incentive to charge a higher fee to the client. SWA has policies against charging a higher fee when working with financial institutions and periodically reviews these accounts to test for compliance with this policy.

### **Other Compensation**

SWA receives an economic benefit from its recommended custodians in the form of the support products and services they make available to SWA and other independent investment advisors whose clients maintain their accounts with the custodians. In addition, the custodians have also agreed to pay for certain products and services for which SWA would otherwise have to pay once the value of our clients' assets in accounts at the custodians reach a certain size. Clients do not pay more for assets maintained at the custodians as a result of these arrangements. However, SWA benefits from the arrangement because the cost of these services would otherwise be borne directly by SWA. Clients should consider these conflicts of interest when selecting a custodian. The products and services provided by the custodians, how they

benefit SWA, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

Additionally, SWA's agreement with Fidelity and Schwab provides for payment of Transition Assistance (discussed in Item 12 above) for certain IARs joining SWA who are likely to recommend Fidelity or Schwab as a custodian. The receipt of any such compensation creates a financial incentive for the IAR to recommend Fidelity or Schwab as custodian for the assets in a client's account, and thus it is a conflict of interest. We encourage the client to discuss any such conflicts of interest with their representative before making a decision to custody their assets at Fidelity or Schwab.

The IAR, SWA and SWA employees may receive additional non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings, marketing or advertising initiatives. Advisory product sponsors may also pay for education or training events that may be attended by SWA employees and IARs.

The IAR recommending a TPIA program to the client receives compensation as a result of the client's participation in the program. This compensation includes a portion of the advisory fee, and may also include other compensation, such as awards or other things of value offered by the TPIA to the IAR. For example, a TPIA may pay additional marketing payments to SWA, its employees and/or IARs to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to the IAR's clients, client appreciation events, or advertising, marketing or practice management. The amount of this compensation may be more or less than what the IAR would receive if the client participated in other advisory programs, programs of other investment advisors, or paid separately for investment advice, brokerage and other client services. Therefore, this is a conflict of interest in that the IAR may have a financial incentive to recommend a TPIA program account over other programs and services.

SWA has entered into referral agreements with independent TPIAs, pursuant to which SWA and IARs receive referral fees from the TPIAs in return for referral of clients. Because SWA is engaged by and paid by the TPIA for the referral, any recommendation regarding a TPIA as part of a referral presents a conflict of interest. SWA addresses this conflict by providing the client with a disclosure statement explaining the role of SWA and the IAR and the referral fee received by SWA and the IAR. For more information regarding these arrangements, refer to Item 4.

One TPIA that an IAR may also recommend is SIM, which is an affiliate of SWA. This creates a conflict of interest because any management fees earned by SIM generate revenue for SWA's parent company and benefit the firm as a whole. By managing those assets, the IAR receives a benefit of access to the portfolio management, and SWA and SIM receives fees on those assets that would otherwise be paid to other entities. SWA addresses this conflict by identifying SIM as an affiliate and providing clients with disclosure brochures explaining the role of SWA, the IAR and SIM and the additional fees charged by SIM for its services. Ultimately it is up to the client to choose the TPIA that is right for their situation.

Some IARs may hold equity in Stratos Wealth Holdings. This creates a conflict of interest in recommending SIM as a subadviser as those IARs will receive an indirect benefit in sharing in the profitability of SIM as a shareholder of Stratos Wealth Holdings.

Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from client assets. Any 12b-1 fees paid on mutual funds purchased in an SWA managed account are not passed to IARs and will be retained by the custodian.

## **ITEM 15: Custody**

Accounts are often custodied at Fidelity or Schwab or qualified custodians as chosen by the client and IAR or through other TPIAs who have select custodial relationships.

For TPIA programs, the client completes account paperwork with the outside custodian that will provide the name and address of the custodian. The client will receive statements and reports directly from the custodian. Clients should refer to the statements and reports that they receive from the custodian or TPIA sponsor. Clients should the review these statements and reports carefully.

With the exception of deduction of SWA's advisory fees from client accounts, or if SWA facilitates or executes client requests for third party standing letters of authorization, SWA does not take custody of client funds or securities. Clients will receive account statements direct from the broker-dealer or account custodian reflecting the deduction of SWA's advisory fee. Clients should carefully review statements received from the broker-dealer or account custodian. Further, clients should compare any written report received from their IAR with statements received directly from the broker-dealer or account custodian. Clients should notify their IAR if they notice any discrepancies between the statement received from their account custodian and quarterly performance reports received from SWA.

Under government regulations, SWA is deemed to have custody of client assets if, e.g., the client authorizes SWA to instruct their account custodian to deduct its advisory fees directly from the client's account or if the client grants SWA the authority to move their money to a third-party account. Additionally, if the client has a third-party standing letter of authorization and SWA has the ability to change the timing or the amount of the transfer upon the client's request, SWA is deemed to have custody. The client's account custodian maintains actual custody of the client's assets. The client will receive account statements directly from their account custodian at least quarterly. They will be sent to the email or postal mailing address the client provided. The client should carefully review those statements promptly when they receive them.

## **ITEM 16: Investment Discretion**

Clients may grant SWA authorization to manage a client's account on a discretionary basis. Discretionary authorization provides SWA the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. Client will grant such authority to SWA by execution of the client agreement. Clients must complete and sign custodial paperwork to establish any mutual fund, variable annuity or brokerage account.

Clients can also request that SWA has non-discretionary authority over their account. In this instance, SWA makes recommendations to clients regarding the securities to be purchased or sold and the size of those transactions. For those accounts, the client must authorize SWA to implement our recommendations.

With respect to financial planning and hourly consulting services, SWA and the IAR do not have any discretionary investment authority.

In a TPIA program, the client typically authorizes the TPIA to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objective chosen by the client. This authorization will be set out in the TPIA client agreement. SWA and the IAR do not have discretion on TPIA program accounts.



### **ITEM 17: Voting Client Securities**

In general, SWA does not vote proxies for clients. In certain very limited cases, SWA may be required by agreement to vote proxies on behalf of a client. Proxy voting policies and procedures are available for clients for whom SWA is required to vote proxies.

### **ITEM 18: Financial Information**

SWA is required in this item to provide you with certain financial information or disclosures about its financial condition. SWA does not solicit fees of more than \$1,200 per client six months or more in advance. SWA does not have any financial commitment that would impair its ability to meet any contractual or fiduciary obligations it may have to its clients and the firm.

SWA has not been the subject of a bankruptcy petition in its history.