

## **AVITAS WEALTH MANAGEMENT WRAP PROGRAM**

Sponsored by

### **AVITAS WEALTH MANAGEMENT**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Avitas Wealth Management, LLC (hereinafter "AWM" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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 the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

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In this Item, AWM is required to discuss any material changes that have been made to the brochure since the last annual amendment. The following has been changed since our last filing in March 2023:

- Various non-material changes pursuant to our annual updating amendment.

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## Item 4. Advisory Business

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The Avitas Wealth Management Wrap Program (the “Program”) is an investment advisory program sponsored by the Firm. AWM may offer advisory services, including financial planning, consulting, and asset management, under different arrangements than described herein. Prior to rendering such services, clients are required to enter into one or more written agreements setting forth the terms of the advisory relationship (the “Advisory Agreement”).

The Firm filed for registration in November 2017 and is principally owned by The Gerst Family Trust, The Satz 1993 Trust and Jones Taslitz Living Trust. As of December 31, 2023, AWM managed assets of \$996,960,303 on a discretionary basis and \$0 on a non-discretionary basis. *Assets under advisement* are assets on which a firm provides advice or consultation but for which a firm does not have discretionary authority or does not arrange or effectuate transactions. AWM also has assets under advisement totaling \$170,878,402.

As of August 16, 2019, the Firm began providing investment management services to an affiliate private fund, Avitas Capital Private Equity Access 2019 Fund, LP (the “Access Fund”). AWM is the general partner of the Access Fund and manages the underlying fund allocation on a discretionary basis in accordance with its offering and organizational documents. AWM may also recommend that certain qualified Clients consider an investment in private funds/offerings. AWM’s role relative to the private investment funds can include, but not limited to, initial and ongoing due diligence, fund management, and investment monitoring services. AWM’s Clients are under no obligation to consider or make an investment in a private investment fund(s).

Each prospective private fund investor will be required to complete a Subscription Agreement or similar application, pursuant to which the Client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment. Please see Item 8 for more information on the risks associated with this type of investment.

As of August 18, 2020, the principals of AWM became owners of Avitas Capital Management, LLC, a newly formed Investment Advisor to a new fund offering, Avitas Capital Ascent Fund, LP (“Ascent Fund”). Effective August 18, 2020, the principals also became owners of Avitas Capital Partners, LLC, the general partner of the Ascent Fund. Additional information about the relationship of AWM to Avitas Capital Management, LLC, Avitas Capital Partners, LLC and Avitas Capital Ascent Fund, LP can be found in further sections of this brochure.

While this brochure generally describes the business of the Firm, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on AWM’s behalf and is subject to its supervision or control.

### ***Description of the Program***

The Program is offered as a wrap fee program. A *wrap fee program* is an arrangement under which clients receive investment advisory services (such as portfolio management or advice concerning the selection of other investment advisers) and execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must open a new brokerage account and complete a new account agreement with Schwab Advisor Services™ (“Schwab”) or another custodian approved by the Firm (collectively “Financial Institutions”).

At the onset of the Program, AWM offers to go through a rigorous process to determine what a client’s needs, wants and goals are. Clients complete a profile describing their investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After analysis, the Firm will develop an appropriate strategy. Portfolios are generally managed on a discretionary basis by AWM’s Principals or other financial advisors. Clients’ assets are generally allocated among the various investment products available under the Program, as described in Item 6 (below).

## **Financial Planning and Consulting Services**

The Firm offers a range of financial planning and consulting services which may include

- Business Planning
- Retirement Planning
- Cash Flow Forecasting
- Financing Planning and Availability
- Trust and Estate Planning
- Charitable Planning
- Financial Reporting
- Tax Planning
- Insurance Planning
- Education Planning

In performing these services, AWM is not required to verify information received from the client or the client's other professionals (e.g., attorneys, accountants, etc.), and is expressly authorized to rely on such information. The Firm may recommend clients engage AWM for additional services, its Supervised Persons in their individual capacities as insurance agents and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage AWM or its affiliates to provide (or continue to provide) additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any recommendations made by AWM under a financial planning or consulting engagement. Clients must notify the Firm of any change in their financial situation or investment objectives.

## **Wealth Management Services**

The Firm provides wealth management services, which include financial planning and consulting services, as well as discretionary management of investment portfolios. Client assets are generally allocated among individual debt and equity securities, various mutual funds, exchange-traded funds ("ETFs"), options and annuities in accordance with their stated investment objectives.

Where appropriate, the Firm may provide advice regarding legacy positions or other investments in client portfolios. Clients can engage AWM to manage and/or advise on certain investments that are not maintained at their primary custodian, such as variable life insurance and annuity contracts, assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans); in these situations, AWM recommends the allocation of assets among the options available with the product. Such assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

The Firm tailors its advisory services to the needs of individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs. AWM consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other factors relevant to the management of their portfolios. Clients are advised to promptly notify the Firm if there are changes in their financial situation. Clients can impose reasonable restrictions on their accounts if AWM determines, in its sole discretion, the conditions would not materially impact performance or prove overly burdensome to the Firm's management efforts.

## **Retirement Plan Consulting Services**

The Firm provides consulting services to qualified employee benefit plans and their fiduciaries, designed to assist plan sponsors in structuring and managing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include:

- Plan Design and Strategy
- Plan Fee and Cost Analysis
- Plan Review and Evaluation
- Plan Committee Consultation
- Executive Planning & Benefits
- Fiduciary and Compliance
- Investment Selection
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by AWM as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section

408(b)(2), each plan sponsor is provided with a written description of AWM's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

## **Access Fund Management**

As investment adviser to the Access Fund, the Firm participates in the structuring, management, monitoring and disposition of investments for the Access Fund.

Guidelines for investment are contained in each fund's governing documents, which are provided to the limited partners of each such fund. Prior to making an investment in the Access Fund, the limited partners review the governing documents. Limited partners do not have any control over the operation or management of the Access Fund or discretion over when capital is drawn or which and how investments are made.

Pursuant to an Advisory Agreement with the Access Fund, the Firm provides discretionary investment advisory services and has authority to decide which investments to purchase and sell for the Access Fund. While AWM does not manage the underlying funds or make investment decisions on their behalf, it does ensure that the underlying funds participate in and exit investments alongside the Access Fund on the programmatic, fixed basis to which they are subject and on substantially the same investment terms and conditions as the Access Fund.

## ***Fees for Participation in the Program***

Participants in the Program pay a single annualized fee based on assets under management (the "Program Fee"). The Firm offers wealth management services for an annual "wrap" fee for financial advice, financial planning, liability management and comprehensive wealth organization. Fees are based on managed and supervised assets as well as secured lending balances. Such fees reflect the unique demands and characteristics of the advisory services provided to each family relationship. Program Fees range between 0.20% and 1.50% per annum. Retirement Plan Consulting fees will vary (between 0.25% and 1.00% per annum) based on the scope of services to be rendered and the amount of assets to be managed.

The Program Fee is charged quarterly, in advance. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a pro rata basis; if the Advisory Agreement is terminated, the Program Fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

AWM assists clients with obtaining financing for capital needs, not to leverage investments managed by the Firm. Amounts borrowed by the client are considered assets under management for purposes of calculating the Program Fee where the Firm assisted with obtaining such financing. Lending fees are charged quarterly in arrears. Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), AWM may negotiate a fee rate that differs from the range set forth above.

## **Fee Comparison**

As referenced above, a portion of the fees paid to AWM are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm pays for the brokerage fees, the Firm has an incentive to engage in less transactions, or transactions that cost less to the Firm.

## **Fee Discretion**

AWM may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

## **Other Charges**

In addition to advisory fees paid to AWM, clients may incur certain charges imposed by other parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. Such additional charges include fees attributable to alternative assets; reporting charges; margin and other borrowing costs; mark-ups or mark-downs priced in to fixed income and equity products by a broker-dealer; charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses); fees and commissions for assets not held with Schwab (including 401(k) or 529 plan assets); fees for trades executed away from Schwab; deferred sales charges; odd-lot differentials; transfer taxes; wire transfer and electronic fund fees.

## **Direct Fee Debit**

Clients generally provide AWM with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to AWM.

## **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to the Firm's right to terminate the account. Additions may be in cash or securities, though AWM reserves the right to liquidate any such securities or decline to accept particular securities into an account. Clients may withdraw assets from their account on notice to the Firm, subject to the usual and customary securities settlement procedures. Portfolios are designed as long-term investments, however, and the withdrawal of assets may impair the achievement of a client's investment objectives. AWM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications. AWM reserves a reasonable amount of time to execute based on market conditions, availability resources and other factors.

## **Compensation for Recommending the Program**

AWM has no internal arrangements whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation in the wrap program versus other options. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

## Item 5. Account Requirements and Types of Clients

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AWM offers services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### *Minimum Account Value*

As a condition for starting and maintaining an investment management relationship, the Firm imposes a minimum portfolio value of \$1,000,000. AWM may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, preexisting client, account retention, and pro bono activities. AWM only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. AWM may aggregate the portfolios of family members to meet the minimum portfolio size.

## Item 6. Portfolio Manager Selection and Evaluation

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AWM acts as the sponsor and sole portfolio manager under the Program.

### *Side-By-Side Management*

As the general partner, AWM may receive performance-based compensation from the Access Fund (generally calculated based on a share of all net realized income and gains and losses). As members of the general partner to the Ascent Fund, the principals of the Firm may also receive performance-based compensation from the Ascent Fund. Investors and prospective investors in the Access Fund and the Ascent Fund should note that performance-based compensation can create an incentive for an adviser to recommend investments which may be riskier than those which would be recommended under a different fee arrangement.

*Side-by-side management* refers to when an adviser manages multiple advisory relationship simultaneously. Various conflicts of interest can arise from such side-by-side management. The Firm could, for example, have an incentive to favor the Access Fund (which pays performance-based compensation) over managed accounts. There could also be an incentive to favor the Access Fund if officers and/or employees of the Firm and its affiliates have more of their personal or family assets invested in it. As part of its fiduciary duty as a registered investment adviser, the Firm will take the following steps to address any such conflicts, as applicable:

- Through this disclosure and Form ADV Part 1, disclose to investors and prospective investors the existence of material conflicts of interest, such as the potential for the Firm and its employees to earn more compensation from some funds than others;
- Educate employees on the responsibilities of a fiduciary, including the equitable treatment of all clients, regardless of the fee arrangement.

Performance-based compensation will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940 and/or applicable state regulations.

### *Methods of Analysis and Investment Strategies*

The Firm offers discretionary equity and fixed income management using its proprietary investment processes. A high priority is placed on preservation of capital and realistic returns.



Once the Firm understands a client's objectives, portfolio strategies are discussed and a recommended asset allocation mandate will be determined (e.g., 30% stocks / 70% bonds, 50% stocks / 50% bonds, 70% stocks / 30% bonds, etc.). The Firm endeavors to remain close to the target asset allocation through re-balancing when the mix changes from the mandate, or when the client adds or removes funds.

Tax sensitivity is considered when managing the assets. AWM follows various founding principles:

- The Firm puts clients' interests ahead of its own.
- The Firm seeks to develop mutual trust between the Firm and the client.
- The Firm strives to preserve and protect clients' wealth.
- The Firm strives to maintain a high level of transparency.
- The Firm's principals may invest their money alongside their clients.

## ***Risk of Loss***

### **Market Risks**

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of the Firm's recommendations and/or investment decisions may depend on correctly assessing the future course of price movements of stocks, bonds and other assets; there can be no assurance that AWM will be able to predict those price movements accurately or capitalize on any such assumptions. During times of market volatility, the Firm may raise cash on a tactical basis to preserve capital.

### **Mutual Funds and ETFs**

Investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is typically calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## **Options**

Options allow investors to buy or sell a security at a contracted “strike” price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors trade options to hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

## **Voting of Client Securities**

The Firm accepts the authority to vote a client’s securities (i.e., proxies) on their behalf, and in a manner believed to be consistent with their best interests. At any time, clients may request information about how AWM voted proxies for that client’s securities. The Firm’s proxy voting policies and procedures are summarized as follows:

- Institutional Shareholder Services, Inc. (“ISS”), a third-party, independent proxy advisory firm, has been engaged to research proxy proposals, provide voting recommendations and vote proxies on behalf of AWM, with the aim of maximizing shareholder value for securities the Firm manages. AWM has reviewed ISS’ current Proxy Voting Guidelines and agrees with the approach set forth therein on frequently presented proposals, including: election of directors; compensation of management and directors; financial reporting; corporate governance structure and anti-takeover measures; and environmental and social risks to operations. Although the Firm expects to vote proxies according to ISS’s recommendations, certain proposals may need to be considered on a case-by-case basis due to the continually evolving nature of corporate governance; if such cases should arise, appropriate time and resources will be devoted to consider those issues.
- Where AWM is responsible for voting proxies on behalf of a client, the client cannot direct the Firm’s vote on a particular solicitation. The client can revoke AWM’s authority to vote his or her proxies, however. If there is a potential conflict of interest with respect to proxy voting, the Firm will take appropriate steps, whether by following ISS’s third-party recommendation or otherwise, to ensure that voting decisions are made in the best interest of its clients and are not the product of any such conflict.

## **Item 7. Client Information Provided to Portfolio Managers**

In this Item, the Firm is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients’ investment portfolios. AWM acts as the sole portfolio manager under the Program and, as such, the Firm has no information to disclose in relation to this Item.

## **Item 8. Client Contact with Portfolio Managers**

In this Item, AWM is required to describe any restrictions on clients’ ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients’ ability to correspond with AWM, which acts as the sole portfolio manager under the Program.

## Item 9. Additional Information

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### *Disciplinary Information*

AWM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

### *Other Financial Industry Activities and Affiliations*

This item requires investment advisers to disclose certain financial industry activities and affiliations.

#### **Licensed Insurance Agents**

A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that AWM recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

#### **Access Fund**

The Firm is the general partner of the Access Fund. Eric Taslitz, Catherine Gerst and Greg Satz, each member of AWM, are also the principal and controlling members of the general partner. As disclosed at Item 5 of this Brochure, the general partner is entitled to performance fees earned pursuant to the terms and conditions of the Access Fund's offering documents. As such, these fees will ultimately inure to the benefit of the principals of AWM.

#### **Ascent Fund**

A related entity, Avitas Capital Management, LLC, is the Investment Adviser to the Ascent Fund and Avitas Capital Partners, LLC, which is also a related entity, is the general partner of the Ascent Fund. Eric Taslitz, Catherine Gerst and Greg Satz, principals of AWM, are also principals and controlling members of Avitas Capital Management, LLC and Avitas Capital Partners, LLC. These entities receive the performance allocation from the capital accounts, creating a conflict for AWM financial professionals to adopt a riskier investment strategy than they might otherwise. This conflict is mitigated by AWM's adherence to the investment strategy as outlined in the fund documents.

### *Code of Ethics*

The Firm has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. AWM's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and trading of the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain personnel to report their personal securities holdings and transactions and obtain pre-approval of all investments (except US treasury and CD investments). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics recognizes that some securities trade in sufficiently broad markets to permit transactions to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds. Clients and prospective clients may contact AWM to request a copy of its Code of Ethics.

## ***Account Reviews***

The Firm monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Equity portfolios are managed to a model. Fixed income portfolios are more diverse and portfolio managers review accounts regularly and may be triggered by a high level of cash in an account. Reviews are conducted by the Firm's Principals, as well as a non-Principal financial advisors. All investment advisory clients are encouraged to discuss their needs, goals and objectives with AWM and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients 2-4 times a year but meets with clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

## ***Account Statements and General Reports***

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from AWM and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from AWM or an outside service provider.

## ***Client Referrals***

In the event a client is introduced to AWM by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from AWM's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with AWM's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of AWM is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

## *Receipt of Economic Benefit and Brokerage Practices*

AWM requires that clients utilize the custody, brokerage and clearing services of Schwab for investment management accounts in the Program. Schwab provides access to institutional trading and custody services not typically available to retail investors. In recommending Schwab or any other broker-dealer to clients, the Firm considers the Financial Institutions' reputation, financial strength, pricing, execution, research and service; prospective client referrals are *not* a consideration. The Firm is independently owned and operated; it is not affiliated with Schwab.

In seeking best execution, the determinative factor is *not* the lowest possible cost, but if the transaction represents the best qualitative execution, including execution capability, commission rates, responsiveness, and the value of research provided. Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for research products and/or services which assist in the investment decision-making process. Such research will be used on behalf of all of the Firm's clients. The receipt and allocation of such research pose a conflict of interest because the Firm does not have to produce or pay for the products or services. AWM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The Firm receives without cost from Schwab administrative support, computer software, related systems support, as well as other third-party support as further described below (together "Support") which allow AWM to better monitor client accounts maintained at Schwab and otherwise conduct its business. AWM receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits AWM, but not its clients directly. Clients should be aware that AWM's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, AWM endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, AWM receives the following benefits from Schwab: (i) receipt of duplicate client confirmations and bundled duplicate statements; (ii) access to a trading desk that exclusively services its institutional traders; (iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and (iv) access to an electronic communication network for client order entry and account information.

Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of AWM by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist AWM in managing and administering clients' accounts.

These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to AWM other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, AWM endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

As described herein, the Firm's management services are provided through the Program where the client does not pay separately for brokerage commissions. Schwab's pricing to the Firm for brokerage services is based partially on client holdings in types of investments, including cash and cash equivalents. This results in a conflict of interest to the Firm since there is an incentive to use such investments for the Firm to secure a lower fee from Schwab, which would benefit the Firm but not the client.

## ***Trade Aggregation***

Transactions for each client generally will be effected independently, unless AWM decides to purchase or sell the same securities for several clients at approximately the same time. AWM may (but is not obligated to) combine or "batch" such orders to obtain best execution or to allocate equitably among the Firm's clients differences in prices that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among AWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which AWM's Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the US Securities and Exchange Commission. AWM does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## ***Financial Information***

AWM is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.