

## Item 1: Cover Page

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

March 6, 2024

#### **CWS Financial Advisors LLC**

SEC File No. 801-113289

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This brochure provides information about the qualifications and business practices of CWS Financial Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 269-349-4600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about CWS Financial Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. At this time there are no material changes.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	8
Item 6: Performance-Based Fees and Side-by-Side Management.....	11
Item 7: Types of Clients.....	12
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	13
Item 9: Disciplinary Information.....	18
Item 10: Other Financial Industry Activities and Affiliations.....	19
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	20
Item 12: Brokerage Practices .....	22
Item 13: Review of Accounts .....	29
Item 14: Client Referrals and Other Compensation.....	30
Item 15: Custody .....	31
Item 16: Investment Discretion.....	32
Item 17: Voting Client Securities.....	33
Item 18: Financial Information .....	34

## Item 4: Advisory Business

### A. CWS Financial Advisors LLC

CWS Financial Advisors LLC ("CWSFA") and/or "the firm") is a Michigan limited liability company. CWSFA filed for registration as an investment adviser in April 2018 and is owned by Joseph Splendorio, Lindsey Splendorio, and Cory Wietfeldt.

### B. Advisory Services Offered

#### Investment and Wealth Management Services

CWSFA manages client investment portfolios on a discretionary or non-discretionary basis. In addition, CWSFA provides certain clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

- Discretionary Basis: The client authorizes CWSFA, without prior consultation, to buy, sell, and trade in stocks, bonds, mutual funds, exchange-traded funds ("ETFs"), and other securities and/or contracts or options for the client's account(s).
- Non-Discretionary Basis: CWSFA will make recommendations of investments for the account, but the client retains complete authority to accept or reject CWSFA's recommendations. CWSFA will not determine which Investments will be held in the client's account(s). Upon client's request, CWSFA will assist with implementing investment decisions.

Where appropriate, the firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage CWSFA to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, CWSFA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

CWSFA's asset management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. CWSFA will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. Clients agree to permit CWSFA to consult with and obtain information from their attorney, accountant, and other advisors to the extent necessary to assist us in providing our services, although we have no responsibility to seek these advisors out. Clients acknowledge that CWSFA is not obligated to independently verify any client information.

Clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. CWSFA will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. CWSFA will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **Use of Independent Managers**

With respect to any discretionary services or non-discretionary services a client engages us to provide, client authorizes CWSFA, without prior consultation, consent or approval to delegate the management of all or part of the assets to one or more independent investment managers, subadvisors or independent investment management programs. The independent managers may be hired under separate written agreements and may charge fees in addition to our management fee.

In the event CWSFA has been engaged to provide discretionary services, the independent managers will have limited power-of-attorney and trading authority over those assets we direct to them for management and they will be authorized to buy, sell, and trade in accordance with the client's investment objectives and to give instructions, related to their authority, to the broker-dealer and the custodian of client's assets. CWSFA will supervise the independent managers. CWSFA may terminate or change independent managers when, in our sole discretion, we believe such termination or change is in the client's best interest. CWSFA will continue to monitor and review asset allocation, asset performance, and client's investment objectives.

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

CWSFA offers clients a broad range of financial planning and consulting services, which include any or all of the following:

- Cash Flow Forecasting
- Social Security Planning
- Education Planning
- Estate Planning
- Retirement Planning
- Tax Planning
- Budgeting Support

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, CWSFA is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. CWSFA recommends certain clients engage the firm for additional related services 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 CWSFA or its affiliates to provide (or continue to provide) additional services for

compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by CWSFA under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising CWSFA's recommendations and/or services.

### **Retirement Plan Consulting Services**

Plan sponsors may engage CWSFA to serve as a non-discretionary investment adviser to the plan. Each engagement is individually negotiated and customized, and includes any or all of the following services:

- **Participant Education:** On an annual basis, we will provide to the plan participants investment education services that conform with the guidelines established in Department of Labor Interpretive Bulletin 96-1. These educational services will address general investment principles, plan information, and other such financial matters.
- **Group Enrollment Assistance:** We will attend group enrollment meetings as requested by the plan sponsor and provide informational services about the structure and administration of plan benefits.
- **Service Provider Analysis:** As requested by the plan sponsor, we will assist you in evaluating the plan's current service providers, including their services, fees, and performance, and conduct due diligence on alternative providers.
- **Plan Benchmarking:** We will prepare comparative benchmarks for the plan, including relative measures for fees, performance, and plan design. We will prepare reports illustrating these comparisons, based upon information provided to us by you, the plan provider, and/or other independent third parties.
- **Personalized Participant Service:** As requested, we will arrange to meet individually with participants (in person or via conference call) for individualized education regarding plan information, general financial, investment and retirement information (conforming with the guidelines established in Department of Labor Interpretive Bulletin 96-1). These meetings will generally be limited to one occurrence per participant per year.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

CWSFA does not participate in wrap fee programs, where certain brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

## **E. Client Assets Under Management**

As of December 31, 2023, CWSFA had \$1,050,001,614 in discretionary assets under management and \$4,539,274 in non-discretionary assets under management.

## **Item 5: Fees and Compensation**

### **A. Methods of Compensation and Fee Schedules**

CWSFA offers services on a fee basis, which includes fixed fees, as well as fees based upon assets under management.

#### **Investment Management Fees**

CWSFA offers investment management services for an annual fee based on the amount of assets under the firm's management. This management fee varies between 30 and 100 basis points (0.30% – 1.00 %), depending upon the size and composition of a client's portfolio and the type of services rendered. In addition, the firm can be engaged to provide wealth management services which include investment management and financial planning and consulting services. The wealth management services are offered for a fixed fee or asset-based fee depending upon the size and composition of the portfolio as well as the type and amount of financial planning and consulting services provided.

Asset-based fees are always subject to the investment advisory agreement between the client and CWSFA. Such account fees are payable quarterly in arrears based upon the average daily account balance over the quarter. CWSFA may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

#### **Independent Manager Fees**

Independent managers may be hired under separate written agreements and may charge fees in addition to CWSFA's fee.

Clients authorize CWSFA and the independent managers to deduct the management fee directly from the account(s) where such assets are held, pursuant to applicable custody rules. It is the client's responsibility to verify the accuracy of the calculation of the management fee; the custodian will not do so.

#### **Financial Planning and Consulting Fees**

CWSFA offers financial planning and consulting services as an hourly or fixed fee arrangement, or as part of its asset-based investment management fees described above, as negotiated between the firm and the client. Hourly fees will be billed at the rate of \$250 per hour. Fixed fees typically range from \$250 to \$7,500 depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. CWSFA will provide the prospective client with an estimate of the fixed charges prior to finalizing the advisory agreement.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the advisory agreement, and CWSFA requires one-half of the fee (estimated hourly or fixed) payable upon execution of the advisory agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. The firm does not,



however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### **Retirement Plan Consulting Fees**

CWSFA offers retirement plan consulting services for an annual fee based on the amount of assets under the firm's management. Such fees are subject to the retirement plan consulting agreement as negotiated between the Plan and CWSFA. Either party may terminate retirement plan consulting agreement on 60 days' prior written notice.

## **B. Client Payment of Fees**

CWSFA does not require the prepayment of its fees. Clients provide CWSFA and/or certain independent managers with the authority to directly debit their accounts for payment of the investment advisory fees. CWSFA will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation. Alternatively, clients may elect to have CWSFA send a separate invoice for direct payment.

A client investment advisory agreement may be canceled at any time by the client, or by CWSFA with 30 days' prior written notice to the client. Upon termination, any earned, unpaid fees will be due and payable.

For certain annuity contracts purchased and/or held by CWSFA clients for which CWSFA provides investment advice, please be advised the applicable insurance carrier provides certain fee calculation methodology options for the CWSFA advisory fee which may not include CWSFA's average billing methodology. The billing instructions and related options are included in the applicable insurance company's account application that clients' are required to authorize in writing prior to fees being deducted. Please speak with your CWSFA financial professional to discuss how the deduction of fees from your annuity contract affects the value of the annuity.

## **C. Additional Client Fees Charged**

In addition to CWSFA's fee, clients may incur certain charges imposed by custodians, brokers, third-party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, mutual fund sales loads, 12(b)-1 fees, surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and other fees and taxes. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Advisory fees charged by CWSFA are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. CWSFA does not share in or receive any portion of such fees. A description of these fees and expenses are available in each investment company security's prospectus.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. External Compensation for the Sale of Securities to Clients**

CWSFA advisory professionals are compensated either through a salary and bonus structure or a payout based upon the advisory fee revenue generated by such professional. CWSFA is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

## **E. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

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

CWSFA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

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

CWSFA offers services to individuals, trusts, estates, charitable organizations, corporations and business entities.

CWSFA generally requires a minimum account size of \$500,000. CWSFA, in its sole discretion, may waive the required minimum.

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

### A. Methods of Analysis and Investment Strategies

CWSFA employs a strategic, long-term, objective-based approach to client portfolio construction. Client portfolios are constructed primarily of mutual funds, exchange traded funds and individual securities. CWSFA may choose to engage third-party asset managers on behalf of clients based on individual client preference, risk tolerance and tax considerations.

Through client meetings and information gathering, CWSFA works with individual clients to determine long-term goals, objectives, and risk tolerance. After taking a comprehensive view of a client's financial picture, CWSFA will then construct client portfolios to broadly support three main objectives: growth of capital, income generation, and/or conserving wealth. Individual client objectives in many cases will strike a balance between all three of these main objectives. Tax implications are an important consideration in individual client portfolio construction. CWSFA does not believe that market timing is additive to long-term client returns. As such, client portfolio holdings tend to be low turnover.

For manager selection, CWSFA believes that past performance of a manager is not a strong indicator of future success. Therefore, the Firm's process of manager selection relies more heavily on qualitative measures such as firm pedigree, manager experience, firm philosophy & process. Investment cost is an important consideration in CWSFA's manager selection as qualitative historical data shows that lower cost investment strategies tend to outperform higher cost investment managers over time. Because of these determining factors, CWSFA tends to employ a limited roster of mutual fund families and investment managers that meet these criteria.

### Risk of Loss

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

*Market Risks:* Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of CWSFA's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that CWSFA will be able to predict these price movements accurately or capitalize on any such assumptions.

*Volatility Risks:* The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

*Cash Management Risks:* The firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

*Concentrated Positions:* Over time, a significant portion of a client's account may become concentrated in a particular security, industry or market which adds risk to the portfolio in case those holdings lose value.

*International Investments:* Investments in international and emerging market securities include exposure to risks such as currency fluctuations, foreign taxes, regulations and the potential for political instability.

### **Methods of Analysis**

CWSFA believes that individual client situations vary greatly and the opportunity set dictated by prevailing market conditions can also vary greatly over different time periods. Therefore, the Firm believes that strict style box or asset allocation parameters can be detrimental and counterproductive to the long-term investment experience of clients. CWSFA will often utilize objective-based, multi-class mutual funds that allow investment managers to seek out the best global opportunities across asset classes to meet client objectives.

Portfolio guidelines for three main client objectives:

- *Growth of Capital:* Generally an allocation of 85% or greater to global equities.
- *Income Generation:* Generally designed to support clients in a portfolio "withdrawal" phase. Allocation can vary greatly based on client time horizon, risk tolerance and market conditions. Generally, an allocation of 25% to 100% global equities, equities may carry a dividend yield focus.
- *Conserving Wealth:* Generally an allocation of less than 50% to global equities.

### **Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered by our custodian that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please see Item 5.E. of this Brochure for detailed information.

### **Material Risks of Investment Instruments**

CWSFA may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, CWSFA may effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Variable annuities

### **Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or

greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

### **Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **Margin Leverage**

Although CWSFA, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, CWSFA will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.



Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither CWSFA nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither CWSFA nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

CWSFA does not have any material relationships to disclose at this time.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

CWSFA does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client. Although CWSFA does not receive any referral or solicitor remuneration from advisers, investment managers, or other service providers that it recommends to clients, the firm may engage sub-advisers to manage CWSFA client accounts and, if billed as one combined fee, the firm will receive a portion of the advisory fee charged by CWSFA for its investment management services and pay the third-party manager their portion of the advisory fee.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, CWSFA has adopted policies and procedures designed to detect and prevent insider trading. In addition, CWSFA has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of CWSFA's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of CWSFA. CWSFA will send clients a copy of its Code of Ethics upon written request.

CWSFA has policies and procedures in place to ensure that the interests of its clients are given preference over those of CWSFA, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

CWSFA does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, CWSFA does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

CWSFA, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which CWSFA specifically prohibits. CWSFA has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow CWSFA's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CWSFA, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other CWSFA clients. CWSFA will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of CWSFA to place the clients' interests above those of CWSFA and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

Please be advised that CWSFA has a contractual arrangement with its custodian Charles Schwab & Co., Inc. ("Schwab") whereby Schwab pays to CWSFA an amount that does not exceed \$350,000 on an annual basis to further CWSFA's investment advisory business. This economic arrangement creates a conflict of interest in that the receipt of such payments benefits CWSFA and not its clients, and is paid to the firm partially in consideration of CWSFA's clients utilizing Schwab's services. Although CWSFA strives to put its clients' interests ahead of its own, the recommendation of Schwab may be viewed as being in CWSFA's best interests as opposed to clients' best interests. Your decision to engage Schwab and CWSFA should consider this conflict of interest along with Schwab's services and fees.

#### Custodian Recommendations

CWSFA may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although CWSFA may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. CWSFA is independently owned and operated and not affiliated with custodian. For CWSFA client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

CWSFA considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by CWSFA, CWSFA will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by CWSFA will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### How We Select Brokers/Custodians to Recommend

CWSFA seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available

providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's transaction fees applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm 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 to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **Soft Dollar Arrangements**

The firm does not receive soft dollar benefits.

#### **Institutional Trading and Custody Services**

The custodian provides CWSFA with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts

at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, 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.

### **Other Products and Services**

Custodian also makes available to CWSFA other products and services that benefit CWSFA but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of CWSFA's accounts, including accounts not maintained at custodian. The custodian may also make available to CWSFA software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of CWSFA's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help CWSFA manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of CWSFA personnel. In evaluating whether to recommend that clients custody their assets at the custodian, CWSFA may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to CWSFA. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to CWSFA.

### **Additional Compensation Received from Custodians**

CWSFA may participate in institutional customer programs sponsored by broker-dealers or custodians. CWSFA may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between CWSFA's participation in such



programs and the investment advice it gives to its clients, although CWSFA receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving CWSFA participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to CWSFA by third-party vendors

The custodian may also pay for business consulting and professional services received by CWSFA's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for CWSFA's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit CWSFA but may not benefit its client accounts. These products or services may assist CWSFA in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help CWSFA manage and further develop its business enterprise. The benefits received by CWSFA or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

CWSFA also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require CWSFA to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, CWSFA will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by CWSFA's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for CWSFA's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, CWSFA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CWSFA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CWSFA's recommendation of broker-dealers for custody and brokerage services.

**The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

**Brokerage for Client Referrals**

CWSFA does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

**Directed Brokerage****CWSFA Recommendations**

CWSFA typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

**Client-Directed Brokerage**

Occasionally, clients may direct CWSFA to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage CWSFA derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. CWSFA loses the ability to aggregate trades with other CWSFA advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

**B. Aggregating Securities Transactions for Client Accounts****Best Execution**

CWSFA, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. CWSFA recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. CWSFA will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, CWSFA seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of CWSFA's knowledge, these custodians provide high-quality execution, and CWSFA's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, CWSFA believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Security Allocation**

Since CWSFA may be managing accounts with similar investment objectives, CWSFA may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by CWSFA in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

CWSFA's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. CWSFA will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

CWSFA's advice to certain clients and entities and the action of CWSFA for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of CWSFA with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of CWSFA to or on behalf of other clients.

**Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if CWSFA believes that a larger size block trade would lead to best overall price for the security being transacted.

**Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

CWSFA acts in accordance with its duty to seek best price and execution and will not continue any arrangements if CWSFA determines that such arrangements are no longer in the best interest of its clients.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

CWSFA monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least an annual basis. Such reviews are conducted by the firm's investment adviser representatives. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

All investment advisory clients are encouraged to discuss their needs, goals and objectives with CWSFA and to keep the firm informed of any changes thereto. The firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and annually to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Financial planning clients receive their financial plans and recommendations at the time service is completed. There are no post-plan reviews unless engaged to do so by the client.

### **B. Review of Client Accounts on Non-Periodic Basis**

CWSFA may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how CWSFA formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

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 CWSFA 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 CWSFA or an outside service provider. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by CWSFA.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), CWSFA does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

CWSFA does not pay for client referrals.

## Item 15: Custody

CWSFA is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to CWSFA with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, CWSFA will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, CWSFA may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.



## Item 17: Voting Client Securities

CWSFA does not take discretion with respect to voting proxies on behalf of its clients. CWSFA will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of CWSFA supervised and/or managed assets. In no event will CWSFA take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, CWSFA will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. CWSFA has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. CWSFA also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, CWSFA has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where CWSFA receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

CWSFA does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

CWSFA does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.