



**Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure***

**Clearwater Capital Partners**

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**Clearwater Capital Partners Strategic Wealth Management Program**

03/14/2019

This brochure provides information about the qualifications and business practices of Clearwater Capital Partners. If you have any questions about the contents of this brochure, please contact us at 847-841-8650 or [general@ccpwealth.com](mailto:general@ccpwealth.com). 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 with any state securities authority does not imply a certain level of skill or training.

Additional information about Clearwater Capital Partners also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The firm's CRD number is 139886.

## Item 2 Material Changes

Consistent with SEC rules, Clearwater Capital Partners (CCP) seeks to ensure that client's receive a summary of any material changes to CCP's Disclosure Brochures, including this Form ADV Part 2A Appendix 1, within 120 days after the close of CCP's fiscal year. CCP may also provide clients with other disclosures at other times during the year in the event of any material changes to its business. Clients can then determine whether to review the brochure in its entirety or to contact CCP with questions about the changes.

The following is a summary of some of the new or revised disclosures based on information previously provided in the Firm Brochure dated 02/16/2018:

- Updates to Services, Fees & Compensation under Item 4 include:
  - The Services section has been updated to include interests in partnerships investing in debt and/or equity, both public and private on the list of products the firm may generally advise on in the program.
  - Fees and Compensation section has been updated to clarify that clients with accounts at LPL will be billed quarterly, while clients with accounts at Charles Schwab & Company will be billed monthly, and clarified fee credit timing. An update was also made to further detail the 30 day written notification requirement for the termination of the advisory relationship
- Updates to Portfolio Manager Selection and Evaluation under Item 6 include:
  - Alternative Investments has been added to the firm's Investment Strategies section, describing their strategies, risks and other considerations when investing in an alternative investment.
  - The voting Client Securities section has been updated to reflect that the firm will not vote client proxies even when required to receive them by the custodian under specific circumstances.

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## Item 4 Services, Fees & Compensation

Clearwater Capital Advisors, LLC Doing Business As (DBA) Clearwater Capital Partners (CCP) is an SEC-registered investment adviser with its principal place of business located in Illinois. Clearwater Capital Partners began conducting business in 2006 as BSC Private Wealth Management, LLC.

CCP sponsors the Clearwater Capital Strategic Wealth Management Program (the "Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which includes portfolio management and the execution of client transactions.

This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services offered by the firm and the fees charged for those services, clients should refer to the Form ADV Part 2: Firm Brochure.

You may obtain a copy of the Firm Brochure by contacting us at 847-841-8650 or [general@ccpwealth.com](mailto:general@ccpwealth.com).

CCP sponsors and acts as the sole investment manager to the Program. CCP manages assets for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary it is CCP's duty to always act in the client's best interest. This is accomplished in part by knowing the client. The firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives, while educating them about CCP's process, facilitates the kind of working relationship CCP values.

### Services

CCP provides the Wrap Advisory Services based on each individual client's financial circumstances and investment objectives. CCP meets with each client to discuss the client's current financial condition and to review the client's current investment holdings. Based upon each client's circumstances, CCP determines an appropriate asset allocation for the client's investment portfolio in accordance with the client's specific financial objectives and risk tolerance and in consideration of other factors, including the client's time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and in some cases other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Each client's financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into their ongoing investment strategy. CCP's wrap fee program allows clients to pay a single fee for investment advisory services and associated custodial transaction costs.

As described below, recommended custodians make other products and services available to us (see "Products and Services Available from the Custodian"). Consequently, CCP may have an incentive to recommend that a client participate in CCP's wrap fee program and open account(s) with these custodians. That incentive may be based on the firm's interest in receiving the products and services rather than based on having the most appropriate fee arrangement for CCP's investment advisory services and the best value in custody services and the most favorable execution of client transaction. CCP believes, however, that CCP's recommendation to the wrap fee program, including the use of an independent custodian and broker, is in the best interests of those of clients to whom CCP recommends it based on (a) an assessment of their investment objectives, financial situation, CCP's investment plans and anticipated trading activity in their accounts and all other relevant factors, and (b) the scope quality and price of the custodian's services and not based on the Custodian's payment for third party services that may not directly benefit the client.

CCP manages Program accounts on a discretionary basis only. Continual account supervision is guided by the stated objectives of the client. CCP offers advice through the Program with respect to portfolios which may include any of the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable annuities
- Mutual fund shares
- United States governmental securities

- Options contracts on securities equity, both public and private
- Interests in partnerships investing in real estate • Interests in partnerships investing in oil and gas interest
- Interests in partnerships investing in debt and/or

CCP's investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. Client portfolios primarily consist of exchange-traded funds ("ETFs"), mutual funds (no-load or load-waived), and/or closed-end funds ("CEFs"). However, client portfolios may include some individual stocks and fixed income securities, as well as other securities listed above.

CCP's clients are advised to promptly notify CCP if there are ever any changes in their financial situation or investment objectives which may impact how his/her account should be managed or if they wish to impose any reasonable restrictions upon CCP's management services.

## **Fees and Compensation**

The annualized fee for the Program is charged as a percentage of assets under management, according to the following schedule:

### **Tiered Fee Schedule**

<b><u>Assets Under Management</u></b>	<b><u>Marginal Annual Fee</u></b>
\$0 - \$2,000,000	1.000%
\$2,000,001 - \$5,000,000	0.750%
\$5,000,001 - \$10,000,000	0.550%
\$10,000,001 - \$25,000,000	0.250%
\$25,000,001 - \$50,000,000	0.225%
\$50,000,001 - \$100,000,000	0.180%
\$100,000,001 -	0.125%

As an example, a client with \$6,000,000 in Assets Under Management may be charged 1.00% on the first \$2,000,000 of Assets, 0.750% on the next \$3,000,000 of Assets, and 0.550% on the final \$1,000,000 of Assets.

For clients with accounts at Schwab, CCP's fees are generally billed monthly, in advance, at the beginning of each calendar month based upon the value (market value or fair market value in the absence of market value). CCP's fees are generally billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter.

The client may make additions to and withdrawals from the account at any time, subject to CCP's right to terminate an account. If assets are deposited into an account the fee payable with respect to such assets will be prorated based on the number of days remaining in the billing cycle. Clients may withdraw account assets with notice to CCP, subject to the usual and customary securities settlement procedures. In the event of a distribution, CCP shall refund its unearned fee for that billing cycle based on the number of days remaining. However, CCP designs its portfolios as long-term investments and asset withdrawals may impair the achievement of the client's investment objectives. All fee adjustments due to flows will be made during the fee cycle following the flow(s).

For the initial month of investment management services, the first month's fees shall be calculated on a pro rata basis. The Agreement between CCP and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. CCP's fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner subject to the 30 day notice requirement.

While CCP does not require a minimum account size for the Program, clients should be aware that accounts with smaller values will typically, out of necessity, hold fewer positions in higher concentrations than other

client accounts. As a result, these accounts may experience a greater degree of volatility.

Fees will be directly debited in advance from the account in accordance with the client authorization in the Client Services Agreement. The Custodian(s) recommended by CCP have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to CCP.

## **General Fee Information**

***What services are covered by the Program fees?*** The Program fees pay for the firm's advisory services to clients under the Program, the administrative expenses of the Program, the trade execution charges for trades on the clients' assets custodied at the recommended Custodians.

***What services are not covered by the Program fees?*** The Program fees do not cover brokerage to the extent trades are conducted through brokers or dealers other than the recommended Custodians (trade away fees) and custody charges if client assets are custodied anywhere other than the recommended Custodians. The Program fees do not include the expenses associated with mutual funds, ETFs, or CEFs (such as fund management fees charged to each fund's investors), mark-ups, mark-downs, spreads paid to market makers, and/or odd-lot differential fees.

***Other Fees and Expenses.*** Clients may incur charges from the Custodian for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, wire transfer fees, interest charges on margin loans, exchange fees, and fees for transfers of securities. CCP does not retain any portion of these charges.

***Additional Information about Program Fees.*** Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions, and reporting services for a single specified Program Fee. Clients are cautioned that depending on the level of fees charged by the executing broker-dealer, and the amount of portfolio activity in the clients' account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs. Inasmuch as CCP will pay the execution costs of securities transactions executed in Program client accounts, a disincentive exists to enter trades on behalf of Program participants. Further, the Custodian charges different execution costs for different but similar securities. While CCP endeavors to always make investment decisions based on the needs of the client, it should be noted that an incentive exists to utilize lower execution cost funds.

***Negotiability of Fees.*** Although CCP has established the aforementioned fee schedule(s), CCP retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining an alternative fee schedule. These include the complexity of the case, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, reports, among other factors. As such, fee levels and structure will vary between clients. CCP may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Discounts, not generally available to CCP's advisory clients, may be offered to family members and friends of associated persons of the firm. The specific annual fee schedule is identified in the contract between the advisor and each client.

***Grandfathering of Fees.*** A pre-existing advisory client may be subject to Clearwater's Program fees in effect at the time that client entered into the advisory relationship. Therefore, the firm's fees will differ among clients.

***Termination of the Advisory Relationship.*** An Advisory client will have a period of five (5) business days from the date of signing the investment advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, a client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, CCP will pro rate the reimbursement according to the number of days remaining in the billing period subject to the 30 day notice requirement.

***Fund Fees.*** All fees paid to Clearwater for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, ETFs, and CEFs (each a "Fund" and, collectively, the "Funds") to their shareholders. These fees and expenses are described in each Fund's prospectus. These fees will

generally include a management fee, other fund expenses, and a possible distribution or marketing fee, known as a 12b-1 fee. These 12b-1 fees are considered an operational expense and, as such, are included in a fund's expense ratio. The firm does NOT receive any portion of these fees.

A client could invest in a Fund directly, without CCP's services. In that case, the client would not receive the services provided by the firm which are designed, among other things, to assist the client in determining which Fund or Funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the Funds and CCP's fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Advisory Fees in General.** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for higher, similar, or lower fees.

**Limited Trade Aggregation.** Transactions for Program clients generally will be effected independently, unless CCP decides to purchase or sell the same securities for several Program clients at approximately the same time. CCP may (but is not obligated to) combine or batch such orders to improve transaction execution, to negotiate more favorable commission rates, or to allocate equitably among CCP's Program clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among CCP's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that CCP determines to aggregate client orders for the purchase or sale of securities CCP shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. CCP shall not receive any additional compensation or remuneration as a result of the aggregation.

## **Compensation**

It is CCP's policy not to engage solicitors or to pay related or non-related persons for referring potential Program clients to the firm.

## **Item 5 Account Requirements & Types of Clients**

As previously disclosed above in Item 4, CCP has established an annual percentage based fee based on the nature of the services being provided. CCP, in its sole discretion, may adjust its annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. While Clearwater Capital does not require a minimum account size for the Program, clients should be aware that accounts with smaller values will typically, out of necessity, hold fewer positions in higher concentrations than other client accounts. As a result, these accounts may experience a greater degree of volatility.

CCP provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations and other businesses

## **Item 6 Portfolio Manager Selection and Evaluation**

### **Selection of Portfolio Managers**

The firm's investment adviser representatives ("IAR"s) act as portfolio manager(s) for this wrap fee program. CCP's IARs are subject to individual licensing requirements as imposed by relevant governing bodies. The firm is required to confirm or update each IAR's Form U4 on an annual basis. IAR supervision is conducted by CCP's Chief Compliance Officer or management personnel.

## **Advisory Business**

Information about CCP's wrap fee services can be found in Item 4 of this brochure. CCP offers individualized investment advice to Wrap Program clients.

Each participant in the program has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

## **Participation in Wrap Fee Programs**

CCP only offers wrap fee accounts to clients, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

## **Performance-Based Fees**

CCP does not charge performance-based fees for the services provided in the Program.

## **Methods of Analysis**

CCP may use one or any combination of the following methods of analysis in formulating investment advice and/or managing individual client assets:

**Fundamental Analysis.** CCP attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** CCP analyzes past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, CCP measures the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** CCP uses mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** CCP subjectively evaluates non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that CCP's subjective judgment may prove incorrect.

**Mutual Fund and/or ETF Analysis.** CCP looks at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. CCP also looks at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. CCP also monitors the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been



successful may not be able to replicate that success in the future. In addition, as CCP does not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** CCP's securities analysis methods rely on the assumption that the companies whose securities CCP purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While CCP is alert to indications that data may be incorrect, there is always a risk that the analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

CCP may use one or any combination of the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Asset Allocation.** Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets to various asset classes according to an individual's goals, risk tolerance, and investment horizon. Rather than focusing primarily on securities selection or market timing, CCP attempts to identify an appropriate ratio of available asset classes suitable to the client's circumstances. CCP regards asset allocation as one of the most important decisions an investor can make and as the principal determinant of portfolio performance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of asset classes will change over time due to stock and market movements and, if not corrected, may no longer be appropriate for the client's goals. Portfolio allocations will be monitored and rebalanced over time as determined by CCP.

**Long-term purchases.** CCP purchases securities with the idea of holding them in the client's account for a year or longer. Typically CCP will employ this strategy when:

- ✓ CCP believes the securities and/or asset classes to be currently undervalued, and/or
- ✓ CCP wants exposure to a particular asset class over time, regardless of the current projection for this class.

Long-term purchases, otherwise known as "buy-and-hold" strategies, represent the core of CCP's portfolio management philosophy. By definition, this strategy represents a passive investment strategy in which CCP holds various positions for a long period of time, regardless of short-term market fluctuations. For taxable accounts, a buy-and-hold strategy has certain tax benefits because gains from long-term investments tend to be taxed at a lower rate than those of short-term investments. A risk in a long-term purchase strategy is that by holding the security for this length of time, CCP may not take advantage of short-term gains that could be profitable to a client. Moreover, if CCP's forecasts are incorrect or if the market experiences high volatility, a security may decline sharply in value before CCP makes the decision to sell.

**Portfolio rebalancing.** Portfolio rebalancing represents an important risk-control strategy. A portfolio's asset allocation determines the portfolio's risk and return characteristics. The purpose of establishing an asset allocation strategy is to achieve target rates of return with acceptable levels of risk. Asset allocation is a risk management technique that mixes a wide variety of investments within a portfolio (diversification). Due to market fluctuations, a portfolio's allocation will shift over time. To recapture the portfolio's original risk and return characteristics, the portfolio must be rebalanced according to the risk tolerance, time horizon, and financial goals of the individual client. CCP monitors client portfolios carefully and will determine when, or if, rebalancing activities may be necessary. Additional factors CCP will consider when implementing a rebalancing strategy include client preferences, and potential tax implications.

Given these considerations, clients with similar asset allocation strategies may experience different rebalancing strategies.

**Short-term purchases.** When utilizing this strategy, CCP purchases securities with the idea of selling them within a relatively short time (typically a year or less). CCP does this in an attempt to take advantage of

conditions that CCP believes will soon result in a price swing in the securities purchased.

**Margin transactions.** For certain clients, CCP may purchase stocks for the portfolio with money borrowed from the brokerage account. This allows clients to purchase more stock than they would be able to with their available cash, and allows CCP to purchase stock without selling other holdings. The use of margin involves leverage and special risks. Accordingly, the use of margin requires specific approval on an account-by-account basis. Most clients will not participate in margin related activities.

**Option writing.** For certain clients, CCP may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- ✓ A call gives holders the right to buy an asset at a certain price within a specific period of time. CCP will buy a call if we have determined that the stock will likely increase substantially before the option expires.
- ✓ A put gives the holder the right to sell an asset at a certain price within a specific period of time. CCP will buy a put if we have determined that the price of the stock will likely fall before the option expires.

CCP typically does not use options to speculate on the possibility of a sharp price swing. CCP may use options to "hedge" a purchase of the underlying security; in other words, CCP will use an option purchase to limit the potential upside and downside of a security CCP has purchased for client portfolios.

CCP may use "covered calls", in which CCP sells an option on security clients own. In this strategy, clients receive a fee (option premium) for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price -for an agreed upon length of time.

CCP may use a "spreading strategy", in which CCP purchases two or more option contracts (for example, a call option that the client buys and a call option that the client sells) for the same underlying security. This effectively puts the client on both sides of the market, but with the ability to vary price, time and other factors.

The use of options involves leverage and special risks. Accordingly, the use of options requires specific approval on an account-by-account basis. Most clients will not participate in option trading activity.

**Alternative Investments.** Alternative investments, such as global REITs and commodities, may enhance overall diversification and provide limited protection from unexpected inflation. Alternative asset classes generally have risk and return characteristics that are a hybrid of equity and fixed income characteristics. The underlying funds selected by CCP may, in turn, invest in a broad range of equities of any market capitalization, including large-, mid and small-cap; and/or a broad range of fixed income securities of any credit quality or maturity, including U.S. Government and agency securities, municipal securities, corporate debt, and debt of foreign issuers including those located in emerging markets. Underlying funds may also invest in real estate, real estate investment trusts (REITs), commodities-related assets, high yield debt securities, 144a (private placement) debt, and they may engage in leveraged or derivative transactions, such as futures, options, swaps, and insurance-linked securities. As such, alternative investments are generally less liquid than other investments and can be harder to value, therefore increasing their risk. CCP has no control over the investment strategies, policies or decisions of the underlying funds' investment managers. CCP's only option would be to liquidate its clients' investments in an underlying fund in the event of dissatisfaction with the fund's manager.

## **Risk of Loss**

Securities investments are not guaranteed and client's may lose money on their investments. CCP asks that clients work with the firm to help us understand their tolerance for risk. Clients should understand that investing in any securities, including mutual funds and exchange traded funds, involves a risk of loss of both income and principal. Risk management disciplines such as asset allocation and portfolio rebalancing do not eliminate the risk of loss of both income and principal.

## **Voting Client Securities**

CCP does not accept the proxy authority to vote client securities. Clients will generally receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to the firm, the firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. In certain circumstances a custodian may require that proxies and shareholder communications be sent to CCP. Clients should be aware the CCP will not take action on these communications. CCP will forward these communications to the client upon client request. Clients may call, write or email CCP to discuss questions they may have about particular proxy votes or other solicitations.

### **Item 7 Client Information Provided to Portfolio Manager(s)**

Individuals affiliated with the firm are responsible for developing an initial financial profile of the prospective client. Prior to opening an account, CCP assists in determining a participant's profile for the Program by obtaining from the participant appropriate information (i.e., investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account). Initial investment strategy is jointly determined based on an assessment of the information provided by the client. Please see the firm's Privacy Policy for more information on how the firm utilizes client information.

While CCP may provide the client with periodic reminders, it remains the client's responsibility to advise the firm of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy(ies) and/or objectives. CCP will promptly communicate any reported changes to the client's portfolio manager.

### **Item 8 Client Contact with Portfolio Manager(s)**

CCP does not place any restrictions on a client's ability to contact and consult with their portfolio managers. All clients have direct access to the Clearwater professional(s) managing their account(s).

### **Item 9 Additional Information**

#### **Disciplinary Information**

CCP is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. CCP and its management personnel have no reportable disciplinary events to disclose.

## **Financial Industry Activities and Affiliations**

### ***Holding Company Affiliation***

Clearwater Capital Advisors, LLC (DBA Clearwater Capital Partners) is wholly owned by Clearwater Capital Partners, LLC, and Illinois based holding company. This holding company does not provide any services or have any employees. It is owned as described under Item 4.

### ***Business Consulting Firm Affiliation***

Certain personnel of the firm are also personnel of the consulting firm Clearwater Capital Consulting, LLC (DBA Clearwater Capital Partners), where they provide business consulting and accounting services for separate and typical compensation. These individuals will spend the majority of their time on this practice.

No CCP client is obligated to use Clearwater Capital Consulting, LLC for any services and, conversely, no business consulting client is obligated to use the advisory services provided by us.

While there is no direct compensation for referral agreement in place, clients should be aware that this relationship creates a potential conflict of interest, and may affect the recommendations made. Clearwater Capital Consulting, LLC is wholly owned by Clearwater Capital Partners, LLC and does business as Clearwater Capital Partners.

### ***Insurance Agency and Agent Affiliation***

Certain employees are also personnel of Clearwater Capital Insurance, LLC (Formerly known as BSC Insurance Services, LLC) an affiliated insurance agency. These management personnel and employees in their individual capacities are agents of Clearwater Capital Insurance, LLC and agents for various independent insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. Clearwater Capital Insurance, LLC is wholly owned by Clearwater Capital Partners, LLC and does business as Clearwater Capital Partners. Clients should be aware that the receipt of additional compensation by CCP's management persons or employees creates a conflict of interest and gives these individuals an incentive to recommend insurance and investment products based on the compensation received, rather than on a client's needs. CCP endeavors at all times to put the interest of clients first as part of CCP's fiduciary duty as a registered investment adviser

### ***Other Company Affiliations***

Alan Krause, Partner, is an employee of a privately held real estate company. Mr. Krause receives separate, yet customary compensation for his services. CCP also provides investment advice to this company. While CCP and employees endeavor at all times to put the interest of the clients first as part of CCP's fiduciary duty, clients should be aware that this relationship creates a potential conflict of interest, and may affect the recommendations made.

John Sleeting, Partner and Fixed Income Strategist, is a member of the board of directors of a privately held holding company. Mr. Sleeting receives separate, yet customary compensation for his services. Mr. Sleeting also provides investment advice to companies controlled by the holding company. While CCP and employees endeavor at all times to put the interest of the clients first as part of CCP's fiduciary duty, clients should be aware that this relationship creates a potential conflict of interest, and may affect the recommendations made.

### ***How CCP address all conflicts of interests***

CCP endeavors at all times to put the interest of its clients first as part of CCP's fiduciary duty as a registered investment adviser; CCP takes the following steps to address this conflict:

- ✓ CCP discloses to clients the existence of all material conflicts of interest, including the potential for the firm and its employees to earn compensation from advisory clients in addition to the firm's advisory fees;
- ✓ CCP discloses to clients that they are not obligated to purchase recommended investment products from firm employees or affiliated companies;
- ✓ CCP collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- ✓ The firm's management conducts periodic reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- ✓ CCP requires that employees seek prior approval of any outside employment activity so that the firm may ensure that any conflicts of interests in such activities are properly addressed;
- ✓ CCP periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the firm; and
- ✓ CCP educates its employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

CCP has adopted a Code of Ethics which sets forth high ethical standards of business conduct that CCP requires of its employees, including compliance with applicable federal securities laws.

CCP and its personnel owe a duty of loyalty, fairness and good faith towards clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

CCP's Code of Ethics includes policies and procedures for the review of securities transactions reports as well as initial and annual account statements that must be submitted by the firm's access persons. Among other things, the Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. The code also provides for oversight, enforcement and recordkeeping provisions.

CCP's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While CCP do not believe that it has any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of CCP's Code of Ethics is available to advisory clients and prospective clients. You may request a copy by email sent to [general@ccpwealth.com](mailto:general@ccpwealth.com), or by calling us at 847-841-8650.

CCP and individuals associated with the firm are prohibited from engaging in principal transactions.

CCP and individuals associated with the firm are prohibited from engaging in agency cross transactions.

CCP's Code of Ethics is designed to assure that the personal securities transactions, activities and interests of employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The firm and/or individuals associated with the firm may buy or sell for their personal accounts securities identical to or different from those recommended to clients, provided they follow the firm's written personal trading policies. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of the firm that no person employed by CCP may purchase or sell any reportable security 3 trading days prior to a transaction(s) being implemented for an advisory account or 3 trading days after, with the exception of ETF/ETN securities (the firm will monitor for planned same-day trading conflicts regarding ETF/ETNs). These practices prevent employee(s) from inappropriately benefiting from transactions placed on behalf of advisory accounts.

As these situations represent actual or potential conflicts of interest to clients, CCP has established the following policies and procedures for implementing the firm's Code of Ethics, to ensure the firm complies with its regulatory obligations and provides clients and potential clients with full and fair disclosure of such conflicts of interest:

- ✓ No principal or employee of the firm may put his or her own interest above the interest of an advisory client.
- ✓ No principal or employee of the firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- ✓ It is the expressed policy of CCP that no person employed by CCP may purchase or sell any reportable security 3 trading days prior to a transaction(s) being implemented for an advisory account and 3 trading days after, with the exception of ETF/ETN securities (the firm will monitor for planned same day trading conflicts regarding ETF/ETNs). This prevents such employees from inappropriately benefiting from transactions placed on behalf of advisory accounts. All such transactions for employee accounts must receive prior approval, and will be tracked to ensure the firms policies are followed
- ✓ The firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- ✓ CCP maintains a list of all reportable securities holdings for the firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are

reviewed on a regular basis by the firm's Chief Compliance Officer or his/her designee.

- ✓ CCP has established procedures for the maintenance of all required books and records.
- ✓ All of CCP's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- ✓ CCP requires delivery and acknowledgement of the Code of Ethics by each supervised person of the firm.
- ✓ CCP has established policies requiring the reporting of Code of Ethics violations to senior management.
- ✓ Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure, related persons of the firm are separately licensed as an insurance agent of various insurance companies. Please refer to Item 9 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Review of Accounts**

**REVIEWS:** While the underlying securities within the Program accounts are continually monitored, these accounts are reviewed periodically. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Automated position and/or security target tolerance reports may also be utilized to trigger a manual review.

Accounts are reviewed periodically by the advisor of record for each client relationship. At the time of these periodic reviews, the advisor of record may or may not direct that specific accounts be further reviewed by the John E. Chapman as the Chief Investment Strategist or by members of the firm's Investment Policy Committee.

Supervisory review of accounts are performed by John E. Chapman, or his delegate, on a periodic basis.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, CCP periodically provides additional reports summarizing account performance, balances and holdings as part of the regular client review process.

## **Other Compensation**

In addition to compensating the firm for portfolio management, and other services to clients, the wrap fees clients' pay the firm also allows us to pay the Custodian for the brokerage services it provides to clients. The fees the firm pays the Custodian consist of fees that would otherwise be charged to clients. These fees may include (a) flat dollar per trade fees for the Custodian's prime brokerage, (b) transaction-based fees imposed on the Custodian by regulatory organizations and exchanges and fees to offset processing costs incurred by the Custodian for the exchange of securities for equity, options or other covered security sell transaction, and (c) short-term redemption fees on no-transaction-fee mutual funds.

## **Products & Services Available from the Custodian**

The Custodian provides the firm and clients with access to their institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to retail customers. The Custodians also make available various support services. Some of those services help manage or administer client accounts while others help manage and grow the business. The Custodian's support services are generally available on an unsolicited basis (the firm does not have to request them) and at no charge. The availability to CCP of the Custodian's products and services is not based on CCP giving particular investment advice, such as buying particular securities for clients. These products and services, how they benefit the firm, and the related conflicts of interest are described in the Firm brochure (see Item 12 – Brokerage Practices). A summary description of the Custodian's support services follows:

### ***Services that Benefit Clients***

The Custodian's institutional brokerage services include access to a broad range of investment products,

execution of securities transactions, and custody of client assets. The Custodian may also aid in the payment of fees associated with a custodial transfer. The investment products available through the Custodian include some to which the firm might not otherwise have access to or that would require a significantly higher minimum initial investment by firm clients. The Custodian's services described in this paragraph generally benefit clients and their accounts.

### ***Services that May Not Directly Benefit Clients***

The Custodian also makes available other products and services benefiting the firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering client accounts. They include investment research, both the Custodian's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at the Custodian. In addition to investment research, the Custodian also makes available software and other technology that provides access to client account data (such as duplicate trade confirmations and account statements), facilitates trade execution and allocate aggregated trade orders for multiple client accounts, provides pricing and other market data, facilitates payment of fees from clients' accounts, and assists with back-office functions, recordkeeping and client reporting. In addition, the Custodian may make available, arrange and/or pay vendors for these types of services rendered to CCP by independent third parties. The Custodian 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 CCP.

### ***Services that Generally Benefit Only CCP***

The Custodian also offers other services intended to help manage and further develop CCP's business enterprise. These services include marketing, educational conferences and events, technology, compliance, legal, and business consulting, publications and conferences on practice management and business succession, and access to employee benefits providers, human capital consultants, and insurance providers. The Custodian may provide some of these services itself. In other cases the Custodian will arrange for third-party vendors to provide the services to the firm. The Custodian may also discount or waive fees for some of these services or pay all or a part of a third party's fees. The Custodian may also provide the firm with other benefits such as occasional business entertainment for firm personnel.

Irrespective of direct or indirect benefits to clients through the Custodian, the firm strives to enhance the client experience, help clients reach their goals, and put client interests before that of the firm or associated persons.

## **Client Referrals**

The firm does not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to the firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

## **Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, CCP is required to disclose any financial condition that is reasonably likely to impair the firm's ability to meet the firm's contractual obligations. CCP has no additional financial circumstances to report. Under no circumstances does CCP require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, CCP is not required to include a financial statement. CCP has never been the subject of a bankruptcy petition at any time.