

## Item 1: Cover Page

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

March 20, 2019

#### **Intelligent Wealth Solutions LLC**

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This brochure provides information about the qualifications and business practices of Intelligent Wealth Solutions LLC. If you have any questions about the contents of this brochure, please contact us 877-699-3258 or email [info@intelligentws.com](mailto:info@intelligentws.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or 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 Intelligent Wealth Solutions 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.

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## **Item 4: Advisory Business**

### **A. Intelligent Wealth Solutions LLC**

Intelligent Wealth Solutions LLC ("IWS" and/or "the firm"), is a limited liability company organized under the laws of the State of Texas. IWS is owned by Waterloo Capital, L.P. (57.142857%) and Bennett Woodward (42.857143%). John Chatmas is the firm's Manager/CEO. IWS is a newly registered investment adviser and has not previously provided investment management services.

### **B. Advisory Services Offered**

IWS provides asset management services as a sub-adviser to third-party investment advisers. IWS manages model portfolios for third-party investment adviser firm clients as described in Item 8 of this brochure, who then offer such model portfolios to their advisory clients. IWS offers model portfolios that include securities and strategies as itemized in Item 8 of this Brochure.

Clients may access IWS solely through a third-party investment adviser approved to conduct business on a particular custodian investment advisory platform. Responsibility for determining whether IWS's investment management services are appropriate for a particular client is vested exclusively with the third-party investment adviser.

IWS offers two different model portfolios: The Newton Alpha Model Portfolios and the Newton Risk Weighted Model Portfolios, which are further described in Item 8 of this brochure.

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

IWS may develop customized portfolio holdings for the client. Clients select a category of risk based on an assessment of their individual risk tolerance and investment objectives, to which one or more model portfolios are then correlated. Clients may, however, impose reasonable restrictions on the management of their accounts—for example, restricting the type or amount of security to be purchased in the portfolio.

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

IWS does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

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

IWS is a newly registered investment adviser and currently has \$0 assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

IWS's fee schedule is computed on the basis of the market value of the client's portfolio assets, payable either in arrears or advance, and computed on the last business day of the preceding quarter. The quarterly fee is charged at one-fourth the annual rate specified below. IWS's fee schedule, which is negotiable, is as follows:

<u>Assets Under Management</u>	<u>Annual Rate</u>
All accounts	100 basis points

IWS generally imposes a minimum account size of \$100,000. The account minimum may be waived by the firm in its sole discretion.

Investment management fees are always subject to the sub-adviser agreement between the third-party investment adviser and IWS as well as the investment advisory agreement between the client and the third-party investment adviser. Fees may be charged quarterly in arrears or advance depending on the sub-adviser agreement. The third-party investment adviser will compute the fees due IWS on a quarterly basis and remit such fees to IWS. The initial quarterly fee is payable on the date the account is accepted and is computed on the market value of such portfolio assets on the date of such account acceptance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter.

Sub-advisory agreements have an initial one-year term; thereafter they may be canceled by either party upon 60 days' prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable.

### B. Client Payment of Fees

IWS fees will be deducted by directly debiting the client's custodian account pursuant to the terms of the sub-adviser agreement. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### C. Additional Client Fees Charged

The fees charged by IWS do not include fees charged by the client's third-party investment adviser, if applicable, exchange-traded funds, mutual funds, or any broker-dealer or custodian selected by the client. In the case of an exchange-traded fund or mutual fund, fees and charges are disclosed in the respective fund's prospectus. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using IWS may be precluded from using certain mutual funds because they may not be offered

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

#### **D. Prepayment of Client Fees**

Depending on the terms of the sub-adviser agreement, IWS may be paid in advance for its investment advisory services. Sub-advisory agreements have an initial one-year term; thereafter they may be canceled by either party upon 60 days' prior written notice. Upon termination of any account, any unearned, prepaid fees will be promptly refunded, and any earned, unpaid fees will be immediately due and payable.

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

Other than as disclosed in Item 10 of this Brochure, IWS's financial advisors are compensated solely through salary and bonus. IWS is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

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

IWS does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.



## Item 7: Types of Clients

IWS is an independent investment management firm providing asset management services as a sub-adviser to various third-party investment advisers and affiliates of IWS.

For investment management services, IWS generally imposes a minimum account size of \$100,000. The account minimum may be waived by the firm in its sole discretion.

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

### **A. Methods of Analysis and Investment Strategies**

IWS's methods of analysis may include fundamental and technical analysis, quantitative methods for optimizing model portfolio allocations, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. IWS may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

For information on a specific fund's risks, strategies, fees, and other pertinent information, please obtain and review a copy of the applicable fund prospectus.

IWS has or may form relationships with third party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform billing and certain other administrative tasks

IWS may utilize additional independent third parties to assist in recommending and monitoring funds to clients as appropriate under the circumstances.

#### **A.1. IWS Model Portfolio Strategies**

IWS implements individually managed accounts composed of public equity securities, exchange-traded funds, and individual bonds. IWS employs advanced algorithmic and machine learning techniques which attempt to identify future prices trends based upon historical data and current market conditions. IWS offers the following model portfolios:

- **Newton Alpha Model Portfolios** – The Newton Alpha Model Portfolios are designed to achieve enhanced risk-adjusted returns relative to a global allocation. The model aims to invest in a combined portfolio of individual stocks and exchange-traded funds which have positive technical characteristics as determined by the firm's quantitative models. The model portfolios are constructed utilizing a "core/satellite" approach. The "core" is composed of exchange-traded funds, which may include multiple asset classes such as equity, fixed-income, commodity, currency, and real-estate exposures. The "core" portfolio allocation is unconstrained and determined by the manager utilizing IWS's proprietary quantitative models and risk tools. The "satellite" portfolio is composed of individual equity securities which rank high on IWS's quantitative models. The "satellite" portfolio's allocation is optimized to minimize tracking error to the S&P 500 and maximize the weighted portfolio rank as determined by IWS's quantitative models. The models have no mandate to stay fully invested in equities, and may use cash, cash equivalents, and fixed income instruments to protect capital in higher risk environments. The objective of the strategy is to achieve returns in excess of a globally diversified portfolio on a long-term basis, while protecting against downside volatility.
- **Newton Dynamic Alpha Model Portfolio** – The model portfolio has a targeted allocation of 75% to the Newton Alpha "satellite" portfolio and 25% to the Newton

Alpha “core” portfolio. The model portfolio’s allocation between “core” and “satellite” may deviate +/- 25% from the targeted allocation.

- Newton Defensive Alpha Model Portfolio – The model portfolio has a targeted allocation of 75% to the Newton Alpha “core” portfolio and 25% to the Newton Alpha “satellite” portfolio. The model allocation between “core” and “satellite” may deviate +/- 25% from the targeted allocation.
- Newton Risk Weighted Model Portfolios – The Newton Risk Weighted Model Portfolios seek to provide enhanced risk-adjusted returns relative to each portfolio’s risk framework. The portfolios are constructed to target a defined risk allocation between equity and fixed income exposures. The portfolios combine tactical management with strategic asset allocation. The portfolios are composed of exchange-traded products that provide exposure to various asset classes, regions, and sectors. The holdings are actively managed on a continuous basis using IWS’s quantitative models. The equity and fixed income portfolio allocations are unconstrained within their asset class and are optimized to maximize the weighted portfolio rank, as determined by IWS’s quantitative models, and to minimize tracking error to the S&P 500 Index and Barclays Aggregate Bond Index, respectively.
  - Newton Aggressive Model Portfolio – The model portfolio has a targeted allocation of 80% equity exposure and 20% fixed income exposure. The model portfolio’s allocation between equity and fixed income exposure may deviate +/- 10% from the targeted allocation.
  - Newton Growth Model Portfolio – The model portfolio has a targeted allocation of 60% equity exposure and 40% fixed income exposure. The model portfolio’s allocation between equity and fixed income exposure may deviate +/- 10% from the targeted allocation.
  - Newton Moderate Model Portfolio – The model portfolio has a targeted allocation of 50% equity exposure and 50% fixed income exposure. The model portfolio’s allocation between equity and fixed income exposure may deviate +/- 10% from the targeted allocation.
  - Newton Conservative Model Portfolio – The model portfolio has a targeted allocation of 40% equity exposure and 60% fixed income exposure. The model portfolio’s allocation between equity and fixed income exposure may deviate +/- 10% from the targeted allocation.

## **A.2. Material Risks of Investment Instruments**

IWS typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Exchange-traded funds
- Corporate debt obligations

### **A.2.a. 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.

### **A.2.b. Exchange-Traded Funds ("ETFs")**

IWS may invest in ETFs (which may, in turn, invest in equities, bonds and other financial vehicles). 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>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

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.

### **A.2.c. Corporate Debt Obligations**

IWS may invest in corporate debt obligations. Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity.

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 10 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 also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

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

### **B.1. Short-Term Trading**

IWS may utilize short-term trading when deemed appropriate by the manager. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-velocity trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.2. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry and sector performance.

## **C. Concentration Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they 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**

IWS has nothing to disclose for this item.

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

IWS has nothing to disclose for this item.

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

IWS has nothing to disclose for this item.

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

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

Certain registered advisory personnel of IWS may be registered representatives of Calton & Associates, Inc., a FINRA-registered broker-dealer and member of SIPC. Calton & Associates is a financial services company engaged in the sale of investment products.

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

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

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

#### **C.1 Calton & Associates, Inc.**

Certain registered advisory personnel of IWS may be associated persons of Calton & Associates, Inc., a FINRA and member of SIPC. As a result, such professionals, in their capacity as registered representatives of Calton & Associates are subject to the oversight of Calton & Associates and the Financial Industry Regulatory Authority, Inc. ("FINRA"). As such, clients of IWS should understand that their personal and account information is available to FINRA and Calton & Associates personnel in the fulfillment of their oversight obligations and duties.

IWS professionals who effect transactions for advisory clients may receive transaction or commission compensation from Calton & Associates. The recommendation of securities transactions for commission creates a conflict of interest in that IWS is economically incented to effect securities transactions for clients. Although IWS strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of IWS rather than in the client's best interest. Waterloo Capital Management advisory clients are not compelled to effect securities transactions through Calton & Associates.

#### **C.2. Insurance Activities**

Certain managers, members, and registered employees of IWS are licensed insurance agents and may recommend insurance products offered by various carriers. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance carriers and other investment products offered through such insurance carriers. The conflict exists because recommendations of such products may provide leverage for the firm to secure more advantageous compensation arrangements as well as allow the firm to manage the mutual fund sub-accounts of certain variable products for an additional advisory fee. Please be advised that the firm strives to put its clients' interests first and foremost.

### **C.3. Waterloo Capital, L.P.**

Waterloo Capital, L.P. (dba "Waterloo Capital Management") is an affiliate of IWS and a registered investment adviser. Waterloo Capital Management manages individual separate accounts for its advisory clients. Prospective clients are advised that IWS has an economic interest in recommending its affiliate, Waterloo Capital Management, for separate account management. Conversely, Waterloo Capital Management has an economic interest in recommending IWS to clients.

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

Other than as described in Item 10.C. above, IWS does not recommend separate account managers or other investment products in which it receives any form of solicitor compensation from the separate account manager or investment product sponsor.



## **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, IWS has adopted policies and procedures designed to detect and prevent insider trading. In addition, IWS has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the firm'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 the firm. IWS will send clients a copy of its Code of Ethics upon written request.

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

The fund, the Distributor, and IWS have each adopted a Code of Ethics pursuant to Rule 17j-1 under the 1940 Act, designed to monitor personal securities transactions by their personnel ("Personnel"). The Code of Ethics requires that all trading in securities that are being purchased or sold, or are being considered for purchase or sale, by the funds must be approved in advance by the CCO. Approval will be granted if the security has not been purchased or sold or recommended for purchase or sale for the funds on the day that the Personnel of IWS requests pre-clearance, or otherwise if it is determined that the personal trading activity will not have a negative or appreciable impact on the price or market of the security, or is of such a nature that it does not present the dangers or potential for abuses that are likely to result in harm or detriment to the funds. At the end of each calendar quarter, all Personnel must file a report of all transactions entered into during the quarter. These reports are reviewed by a senior officer of IWS or the Distributor, as applicable.

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

IWS 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).

IWS is affiliated with Sentinus LLC. Clients should understand that IWS does not offer separate account management services directly with end clients. Rather it offers its services exclusively to clients of registered investment advisers under a sub-adviser relationship with various third-party investment advisers. As such, IWS has an economic interest in recommending to potential end clients that they utilize the services of Sentinus LLC. Such recommendation may be viewed as being in the best interests of IWS rather than in the best interests of the client.

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

IWS, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased 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 IWS specifically prohibits. IWS 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 IWS'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**

IWS, 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 of the firm's clients. IWS 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. It is the policy of IWS to place the clients' interests above those of the firm and its employees.

## Item 12: Brokerage Practices

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

#### A.1. Custodian Recommendations

IWS generally operates as a sub-adviser to various third-party investment advisers. All custodian recommendations are provided by the investment adviser subscribing to the third-party investment adviser's investment platform. IWS uploads models to a third-party trading platform, in which securities transactions are effected through the platform sponsor's custodian.

IWS may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab") or TD Ameritrade Institutional, a division of TD Ameritrade, Inc., FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although IWS may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. IWS is independently owned and operated and not affiliated with custodian. For IWS 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.

IWS 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 IWS, IWS 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 IWS 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.

##### A.1.a. How We Select Brokers/Custodians to Recommend

IWS 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

#### **A.1.b. 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 commission rates 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.

#### **A.1.c Soft Dollar Arrangements**

IWS does not utilize soft dollar arrangements. IWS does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

The custodian provides IWS 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.

**A.1.e. Other Products and Services**

Custodian also makes available to IWS other products and services that benefit IWS 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 IWS's accounts, including accounts not maintained at custodian. The custodian may also make available to IWS 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 IWS'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 IWS 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 IWS personnel. In evaluating whether to recommend that clients custody their assets at the custodian, IWS 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.

**A.1.f. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to IWS. 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 IWS.

**A.1.g. Additional Compensation Received from Custodians**

IWS may participate in institutional customer programs sponsored by broker-dealers or custodians. IWS may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between IWS's participation in such programs and the investment advice it gives to its clients, although IWS 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 IWS 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 IWS by third-party vendors

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

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

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

#### **A.1.h. 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.

## **A.2. Brokerage for Client Referrals**

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

## **A.3. Directed Brokerage**

### **A.3.a. IWS Recommendations**

IWS typically recommends Schwab or TD Ameritrade as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct IWS 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 IWS 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. IWS loses the ability to aggregate trades with other IWS advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

IWS, 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. IWS recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. IWS 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, IWS 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 IWS's knowledge, these custodians provide high-quality execution, and IWS'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, IWS believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since IWS may be managing accounts with similar investment objectives, IWS 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 IWS in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

IWS's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. IWS 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.

IWS's advice to certain clients and entities and the action of IWS 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 IWS with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of IWS to or on behalf of other clients.

## **B.3. 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 IWS believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.4. 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."

IWS acts in accordance with its duty to seek best price and execution and will not continue any arrangements if IWS 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**

IWS's portfolio manager reviews his model portfolios on at least a monthly basis.

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

IWS may perform ad hoc reviews on an as-needed basis if the client has imposed significant restrictions on IWS's management of the account or if there have been material changes in how IWS formulates investment advice or constructs its model portfolios.

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

IWS reports on a quarterly basis or at some other agreed-upon interval the performance of the model portfolios measured against appropriate benchmarks.

The client will receive no less frequently than quarterly a statement from the custodian indicating holdings, transactions, and cash balance. The custodian is the official record of the client's account.

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

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

Please refer to the disclosures in Item 10 regarding referrals to third-party service providers. IWS may receive economic benefits for referring clients to such third-party service providers. Clients are under no obligation to utilize any service provider recommended by IWS or its affiliates.

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

IWS does not pay for client referrals.

## Item 15: Custody

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.

## **Item 16: Investment Discretion**

IWS uploads model portfolios to the third-party investment advisers. Although IWS does exercise investment discretion, it does so only with respect to the composition of its model portfolios.

## Item 17: Voting Client Securities

IWS does not take discretion with respect to voting proxies on behalf of its clients. IWS 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 IWS supervised and/or managed assets. In no event will IWS take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, IWS 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. IWS has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. IWS 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, IWS 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 IWS 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**

IWS does not require the prepayment of fees of \$1,200 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**

IWS 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 are no bankruptcy petitions to report.