

# **Cain, Watters & Associates, PLLC**

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**March 7, 2012**

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

Cain, Watters & Associates, PLLC is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Cain, Watters & Associates, PLLC. If you have any questions about the contents of this brochure, please contact us at (972) 233-3323. 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.

Additional information about Cain, Watters & Associates, PLLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

**Revised: March 7, 2012**

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

On March 7, 2012, we filed an amendment to our Form ADV Brochure to reflect the following changes:

- Our principal office address was changed to 6900 North Dallas Parkway, Ste 500, Plano, TX 75024.
- We submitted our annual updating amendment filing and updated our assets under management under Item 4 of this document.
- We have removed all reference to Altegris Investments, Inc. since we no longer use their services.

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#### **Advisory Business - Item 4**

Cain, Watters & Associates, PLLC ("CWA") is a registered investment advisor based in Plano, Texas. We are a Professional Limited Liability Company organized under the laws of the State of Texas. We have been providing investment advisory services since 1984. Cain & Watters, PC is the principal owner of CWA. Darrell W. Cain and Michael T. Watters are the principal owners of Cain & Watters, PC.

We provide comprehensive financial planning services geared toward healthcare professionals. CWA teaches a philosophy of consistently investing money for the long term. CWA provides the following services:

- **Financial Planning Services**
- **Portfolio/Asset Management Services**

The following paragraphs describe what we do and what we charge. Each investment advisory service is listed below and describes how we tailor our advisory services to our clients' individual needs. Also, clients may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm.

#### **Financial Planning Services**

##### **Personal Financial Planning (New Financial Plan)**

This comprehensive service begins by preparing the client for a one-day meeting at our office located in Plano, Texas. The meeting is structured to review the client's objectives and financial status, including current investments, planning for retirement, income tax planning, insurance coverage, estate planning, issues concerning their professional practice or business and investment management.

The meeting includes:

- Review and evaluation of the client's current finances;
- Financial educational briefing on money accumulation, debt evaluation, tax spirals and tax environments;
- Setting personal wealth goals;
- Asset allocation;
- Investment portfolio analysis;
- Recommending investments and/or investment managers consistent with the client's goals for their financial plan;
- Complete financial scheduling, including tax planning, cash flow planning, debt structuring, pension planning and other personal and practice issues;
- Estate planning;
- Analysis of other critical issues defined by the client; and
- Creation of an action report detailing recommendations and specific steps for CWA and the client.

For the next sixty days after this meeting, we will continue to assist the client by answering questions, addressing issues in the financial plan and assisting in the implementation of the financial strategies which have been determined as a result of the meeting.

#### **Monitoring Program & Annual Planning Review and Update for Individuals and Professional Entities**

We provide ongoing assistance to monitor the client's financial progress and periodically confer with the client regarding financial objectives and actions. The services provided under this arrangement are as follows:

- Annual meeting with client to review and update client financial objectives and status;
- Continuing review throughout the year of additional financial information as it relates to the financial plan and objectives via periodic telephone conferences including investment advice on any new or alternative investment opportunities;
- Continuing assistance in implementation of client financial strategies determined at the initial or annual financial planning meeting;
- Tax Planning;
- Monitoring the progress of issues, particularly as it relates to financial goals;
- Online access to financial planning, accounting and tax data;
- Asset allocation re-balancing; and
- Review of investment portfolio balances compared to financial plan goals.

#### **Monitoring Program for Pension & Retirement Plans**

We provide ongoing assistance as requested to monitor the Plan's desired objectives relative to the trustee and/or sponsoring client's goals by assisting in the following manner (these services may be customized to the specific situation):

- Review the Plan design, and relatedly, make recommendations on changes to design of Plan;
- Explain documentation to be distributed to participants;
- Review overall allocation of investments and assets of Plan;
- Make specific recommendations on changes to investments and assets held in the Plan;
- Reconcile contributions to the Plan, and balances due, based on annual administration of Plan provided by third party administrators;
- Make recommendations to the Plan Representative, on estimated annual funding, to the Plan;
- Monitor the Plan's investments and assets performance, on a periodic basis;
- Specifically, as requested, only, plan timing of distributions to retired plan trustees of the Plan, especially as to the "rollover" of pension assets;
- Assist in processing investment documentation related to the Plan, including, documentation to open new accounts, to transfer accounts, or to withdraw from an account, and;
- Act as liaison between the Plan's attorneys and third party pension administrators.

#### **Other Financial Planning Services Offered**

Services are offered for clients of CWA that need financial planning other than the programs outlined above. They include:

1. Financial planning for individuals that need assistance with retirement assets and/or do not require complex structuring and planning
2. Financial planning for Dental students completing school or recent graduates preparing to open their own practice (I:I Program)
3. Financial planning for Clients desiring a preliminary financial review and information analysis – 4 areas of review; not comprehensive as the personal financial planning service

#### **Financial Plan Monitoring Service for Retirees & Others**

Financial plan monitoring services will vary depending on the complexity of the client's individual situation. Those clients with complicated circumstances will be required to return annually for a meeting and review of their plan. For clients with a less complicated financial plan it may be appropriate to meet less frequently.

#### **I:I Program (New Doctors)**

Initial financial plan preparation services will vary depending on the needs of the client and the overall complexity of the client's individual situation. The service starts with a financial planning meeting and covers a period of twelve months. During this time, CWA assists the client in implementing their financial plan. Under a separate engagement, clients are offered monitoring services for the same structure as traditional CWA monitoring clients.

#### **Preliminary Financial Review**

This service is conducted via electronic means with the client completing a short questionnaire along with providing some specific documentation as described for analysis. CWA will then review the information and schedule a 2 hour phone call with the client and provide a written review. This service focuses on high level review of 4 areas – dental practice, personal and retirement investment accounts, retirement plan, and personal and corporate tax returns.

Financial plans are based on the client's financial situation and the financial information provided to our firm. If the client's financial situation, goals, objectives, or needs change, the client must notify us promptly.

Clients may choose to accept or reject our recommendations. Clients who decide to proceed with our recommendations may do so either through our investment advisory services or by using the advisory/brokerage firm of their choice.

Fees charged for Financial Planning services are described under the heading - **Fees and Compensation**.

#### **Investment Advisory Services**

Investment Advisory or Asset management refers to the management of money, including investments. Assets are usually held in what is called a portfolio. Determining the types and quantities of securities to hold in a portfolio is referred to as portfolio management.

We offer non-discretionary investment advisory services to our clients. Non-discretionary services mean that we must obtain the client's approval prior to any transactions in the client's account.

Currently, we offer the following asset management programs:

### **Global Services Provided to Pension & Retirement Plans Invested in Certain Recommended Investment Programs**

We will provide additional services which are more global in nature to pension and retirement plans invested in certain recommended investment programs. These services generally impact, affect and benefit all of the pension and retirement plan clients with investments and assets in these investment programs. The services are as follows:

- Perform periodic investment and asset manager review (quarterly and intra-quarterly);
- Periodically, perform holdings analysis;
- Build relationships with investment and asset managers;
- Perform new investment and asset manager searches, and advise custodians as to results;
- Review quarterly performance reports from custodians;
- Provide asset selection analysis and allocations, among investments, generally for all Pension Clients;
- Perform research on markets, trends, investments, and alternative investment classes, and;
- Analyze performance of investments.

For a complete description of fees and charges please refer to the section titled Fees and Compensation within this disclosure Brochure.

The above global services are provided for all clients invested in our Pooled Investment Program, Unified Managed Account Program ("UMA"), Multiple Manager Account Program ("MMA") and the Separately Managed Account Program ("SMA"). These programs are discussed in further detail below:

#### **Pooled Investment Program through a National Bank**

Investment advisory clients have the option to invest personal trust assets and qualified plan trust assets in a pooled investment program, offered through a national bank. The bank's Trust Department will act as trustee for personal asset accounts and custodian for qualified plan assets accounts established with the bank. The bank offers eight (8) investment funds for personal trust assets and eight (8) investment funds for qualified plan trust assets.

Each fund is managed by one or more managers or invested in mutual funds. The investment managers are recommended to the bank by III to I Financial Management Research, LP (hereafter "FMR"), an affiliate of CWA. (See Other Financial Industry Activities and Affiliations). The bank has contracted FMR to provide advisory services with respect to due diligence and selection of investment managers for the pooled investment program. Under the terms of the agreement between FMR and the bank, FMR shall advise the bank on the selection of investment managers to the program.

FMR does not exercise any discretionary authority over the investments of the pooled Funds. Decisions related to the purchase and sale of securities are made by the individual money managers or mutual funds. From time to time, FMR may recommend to the bank a change in managers for the Funds. Manager changes require approval by the bank's trust committee before implementation. The bank can remove any investment manager without the recommendation or approval of FMR.

Investment advisory clients, in conjunction with advice and recommendations from an Associated Person of CWA, will generally select from one of seven investment models that contain various ranges of risk tolerance and asset allocations. The models range from capital preservation to aggressive growth. The client can also customize a model to fit their needs and risk tolerance. Such asset allocation recommendation is based upon the client's risk tolerance, financial planning goals, investment objectives and client instructions. The bank requires a signed trust or custodial instrument, appointing the bank as trustee or custodian under the pooled investment program, depending on the type of assets to be invested (personal or qualified plan) as well as other account opening documents. All documents are collected by CWA who forwards such documents to the bank, for the purpose of establishing the trust/custodial account(s).

Purchase of pooled investment funds must be made in cash or wire transfer, and will appear on the client's bank statement. In-kind transfers of securities cannot be invested in the pooled investment funds, but may be held in the same bank account with the pooled fund investment. This security information will also appear on the client's bank statement. Tax issues relating to the client's liquidation of an investment in a previous investment program are considered during the financial planning and tax planning advice that the client receives from us. Withdrawals of cash can occur up to, and including, the amount of the free cash balance in the trust or custodial account. To the extent that additional cash is required by a client, an appropriate amount of assets held in the fund will then have to be liquidated. It is important to note that liquidation can only occur once, at the end of each month. Our investment advisory clients should consider this liquidity timing when investing in the pooled investment funds.

The pooled investment funds are valued by the bank at the end of each month. This is the time admissions and withdrawals are processed. Units of the funds can only be purchased or sold on valuation dates. As a result, monies deposited after the first of each month will not be invested in the pooled investment funds until the next valuation date. The cash credit balance will earn a market rate of interest until such balance is invested.

**Unified Managed Account Platform for Individuals, Trusts, Retirement Plans, Corporations, Partnerships and other Legal entities ("UMA")**

CWA, in conjunction with Placemark Investments, Inc., offers clients access to the Unified Managed Account ("UMA") Platform. The UMA Platform provides clients with access to a diversified suite of one or more professional money managers to manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives. We will continuously monitor the performance of any accounts managed by the sub-advisors. The sub-advisors may use one or more of their own model portfolios to manage your account.

UMAs at CWA are single accounts in which a client will have multiple managers and asset classes. Depending on a variety of factors, including but not limited to client risk tolerance and client asset size, a UMA account could include one or more money managers in the equity and/or fixed income space that are run in a separate account. The rest of the UMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities and/or individual bonds, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs.



The transactions in Client accounts will be executed by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") which will also receive a portion of the fee for trade execution services.

CWA clients have the opportunity to allocate their investment monies to three to five investment models, depending on account size, managed by a selection of money managers and/or mutual funds, within a UMA account. Models are recommended based on a client's risk profile, investment goals and objectives. The UMA program requires the approved money managers to meet certain due diligence criteria established by CWA and to operate pursuant to certain operational and technological constraints as prescribed by Placemark Investments, Inc. and custodian. Given differences in the ways in which particular clients' individual circumstances are identified and in which those circumstances are interpreted by different Associated Persons of CWA, different clients having the same or closely related personal circumstances and risk profiles may receive somewhat different asset allocation recommendations and, as a result, different investment manager or mutual fund recommendations.

**Multiple Manager Account Program for Individuals, Trusts, Retirement Plans, Corporations, Partnerships and other Legal entities**

CWA is the co sponsor of a wrap fee program with Envestnet Asset Management, Inc. (Envestnet), a federally registered investment adviser and overlay manager to the program. A wrap fee program combines portfolio management, advisory services and trade execution for a single fee. The MMAs are comprised of asset allocation models created by Envestnet and approved by CWA. Envestnet offers clients access to a diversified suite of two or more professional money managers to manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives.

MMAs at CWA are single accounts in which a client will have multiple managers and asset classes. Depending on a variety of factors, including but not limited to client risk tolerance and client asset size, a MMA account could include one or more money managers in the equity and/or fixed income space that are run in a separate account. The rest of the MMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities and/or individual bonds, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs.

The transactions in Client accounts will be executed by Fidelity Brokerage Services ("Fidelity") which will also receive a portion of the fee for trade execution expenses. CWA is responsible for client investment advice and communications, suitability analysis, and required disclosures to the client. CWA has contracted with Financial Management Research ("FMR") to provide due diligence services and recommend managers from Envestnet's group of money managers. Investment allocation models / recommendations are made by CWA's investment committee to Envestnet.

The terms and conditions under which a Client participates in CWA's wrap fee program will be set forth in a written agreement between the Client and CWA. The overall cost incurred from participation in our wrap fee program may be higher or lower than if the services were purchased separately from other advisers.

The wrap fee accounts are managed by the money managers on a discretionary basis (that is, the money managers do not obtain the Client's approval for each transaction) and are based on a long-term

investment strategy. Clients may place reasonable restrictions on our portfolio holdings by setting a limit on the type of securities that can be purchased for the account. All restrictions must be provided in writing.

#### **Separately Managed Account Program ("SMA")**

For CWA clients with investment assets over \$100,000, the alternative exists for their portfolios to be managed by individual money managers. Individual bond managers require various investment minimums generally \$100,000 - \$250,000 per manager. Each stock and bond manager requires a separate custodial account. Fees for each manager will be separately identified and deducted from the client's custodial account.

As with the UMA program, the SMA program also offers a select group of mutual funds for additional investing options. The same investment, due diligence, screening and monitoring processes used in the ETF and UMA program to review and to monitor the money managers are used in the SMA program.

The client pays CWA (as applicable based on services performed), the Custodian, and the Provider(s) of investment research, due diligence, performance monitoring and performance reporting, including fees charged by separate account manager(s) by granting standing instructions to the Provider (the Trustee/Custodian) to deduct and disburse such fees from the client's account at the custodian.

***Delegation to sub-advisors:*** Clients who have hired us for portfolio management services should note that we may use one or more sub-advisors to offer the firm due diligence services. All sub-advisors that we recommend to clients must be registered as investment advisers with either the Securities and Exchange Commission or with the appropriate state authority(ies).

#### **Assets Under Management**

As of 12/31/2011, we manage \$1,036,542,948 in client assets on a non-discretionary basis.

#### **Fees and Compensation - Item 5**

CWA charges fixed fees, hourly charges and a percentage of assets under management for its advisory services. At the sole discretion of CWA these fees are negotiable.

#### **Personal Financial Independence Planning (New Financial Plan)**

The fee for Personal Financial Independence Planning is as follows:

Type	Total	Fee Deposit
One Professional	\$9,000	\$4,500
Two Professionals/same family	\$11,000	\$5,500

We may recommend other professionals in the financial industry to assist the client in the implementation of the financial plan and to carry out its objectives. These professionals are not affiliated with CWA and fees or charges for their services are paid directly by the client to the professional. We do not receive any remuneration from these professionals of any kind. These professionals may include third party pension administrators, attorneys, financial institutions, and healthcare practice consultants.

CWA requires one-half of the planning fee to be paid upon execution of a letter of engagement. The remaining balance is due and payable at the initial meeting with CWA. If the client wishes to cancel the appointment after it has been scheduled, the deposit will be returned, pro-rated based on any work already performed on the client's behalf. If after the consultation is performed, and the client is not satisfied with the recommendations or financial planning advice that combined, with the savings do not exceed the initial financial planning fee, CWA will refund at the client's request, any difference between the savings and the fee paid.

#### **Monitoring Program & Annual Planning Review and Update for Individuals and Professional Entities**

The fee for the Monitoring Program is \$8,220 per client, per year. This covers all of the services discussed under the Monitoring Program and Annual Planning Review heading (see Advisory Services – Financial Planning). The service equates to approximately 20 hours of professional and administrative work a year. If circumstances are such that a client requires additional time beyond that range, an hourly fee will be charged at the rate of \$400 per hour. Any additional hourly work will be discussed with the client prior to it being expended. The fee for hourly services will be due within 10 days' of billing. The annual fee will be paid in advance, either monthly (\$685 per month) or quarterly (\$2,055 per quarter) installments. Payments may be made by check or credit card. There may be cases where the fee may be in excess of \$8,220 due to complexity of client's issues.

If the individual client is a trustee/sponsor of established pension plan or becomes one during the course of engagement, the annual monitoring program and fee described below applies.

#### **Other Financial Planning Services Offered**

##### **Financial Plan Monitoring Service for Retirees & Others**

Financial plan monitoring services and related fees will vary depending on the client's individual situation and complexity. Those clients with complicated circumstances will be required to return annually for meeting and review of their plan. For clients with a less complicated financial plan it may appropriate to alternate every other year for the meeting at a slightly reduced fee. The annual financial plan monitoring fee will range up to \$10,000. The fees will be billed on a monthly or quarterly basis. There are no additional fees for assets under management beyond the investment program charged by the custodian.

##### **I:I Program (New Doctors)**

Initial financial plan preparation fees will vary depending on the needs of the client and the overall complexity of the client's individual situation. The initial fee ranges from \$5,500 to \$8,000. A 50% deposit is due upon execution of a letter of engagement. The remaining balance is due and payable at the initial meeting with CWA. The fee is earned in the first 6 months and includes services for a period of twelve months following the financial plan meeting to assist the client in implementation and address issues in the financial plan. Under a separate engagement, clients are offered monitoring services for the same structure as traditional CWA monitoring clients. There are no additional fees for assets under management. Same cancellation and policy as stated above applies.

##### **Preliminary Financial Review**

This service is conducted via electronic means with the client completing a short questionnaire along with providing some specific documentation as described for analysis. CWA will then review the information and schedule a 2 hour phone call with the client and provide a written review. This service

focuses on high level review of 4 areas – dental practice, personal and retirement investment accounts, retirement plan, and personal and corporate tax returns. The fee for this service is \$995 payable with execution of the letter of engagement. If the client would like to continue the relationship with CWA and engage the firm to complete a comprehensive customized financial plan, the fee for the preliminary review will be applied to the personal financial planning service if engaged within six months of the preliminary review engagement.

#### **Global Services Provided to Pension & Retirement Plans Invested in Certain Recommended Investment Programs**

The fee for the above global services to pension and retirement plans is an annual Assets Under Management (AUM) fee of 0.20% for the Pooled Investment Program based on the most recent valuation of investments and assets of the Plan, which the Plan owns, and holds in the investment program. The AUM Fee will be billed, and collected, monthly, in arrears, and will be pro-rated if the Plan's investments and assets are initially contributed other than at the beginning of a month. Also, adjustments will be made, as contributions to, and withdrawals from, the Plan's accounts are made, on a pro-rated basis, based on the prior month's average daily balances. The prorated AUM Fee will be deducted from the Plan's accounts on the monthly basis, and as so calculated in arrears, as the annual fee divided by twelve (12).

The AUM fee to client accounts of 0.20% is paid to CWA out of the 1.00% investment program fee charged by the custodian under the terms of the custodian's custody agreement with the plan trustee. Plan trustees authorize the 1.00% fee to be paid from plan assets.

Under the UMA Program, CWA receives a fee of 38 basis points, or 0.38% from the UMA accounts. CWA then forwards 18 basis points, or 0.18% to a third party sub-advisor. Fees are billed quarterly, in advance, and are prorated if the advisory relationship commences on any day other the beginning of a calendar quarter. Adjustments for significant contributions to and withdrawals from a client's portfolio are prorated for the quarter in which the change occurs. The fee is debited from the client's account, by the custodian, at the beginning of each quarter, based upon the value of assets at the end of the most recent quarter.

#### **Monitoring Program for Pension & Retirement Plans**

The monitoring program fee for pension and retirement plans is \$300 annually for each trustee that is a client of CWA. The same billing policy as stated above applies for pension and retirement plans.

#### **Pooled Investment Program through a National Bank**

Client accounts invested in the pooled investment program will be charged by the bank, an annual fee of 1.00%, based upon the total value of the assets committed to the pooled investment program (including cash allocation). Such fees will be billed monthly, in arrears, based on that month's average daily balance and will be adjusted for significant contributions or withdrawals. The Bank will pay a portion of this fee to FMR, Envestnet, investment managers, Fidelity and others engaged to provide services in the pooled investment program. Such payments are paid from the 1.00% fee. The total expense ratio may exceed 1.00% in instances where the fund is invested in mutual funds and those fees are passed on to the investor or they are specific to the client such as wire fees, etc.

**Fees for Participation in the Unified Managed Account Program (UMA) are as follows:**

With respect to the UMA Platform, clients will be charged the following fees: an overlay management fee payable to Placemark Investments, Inc., an advisory fee payable to CWA, and an asset-based fee (not based on the number of transactions in the client's account) payable to TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") for custody and execution services.

CWA receives a fee of 38 basis points, or 0.38% from the UMA accounts. CWA then forwards 18 basis points, or 0.18% to a third party sub-advisor. The custodian holding the client's account deducts this fee at the instruction of Placemark Investments, Inc., which then forwards it to CWA. Additional fees will be deducted by other entities involved in servicing of the account. Such fees include a fee of 10 basis points to TD Ameritrade, a fee of 11 to 21 basis points to Placemark Investments, Inc., (negotiated in accordance to the management style of the account) and additional fees charged by Model Portfolio Advisors. If the client elects the Tax overlay management services offered by Placemark Investments, Inc., there will be an additional fee of 10 basis points. The cumulative fee deducted from the client's account will not exceed 1.00% of the client's assets under management in the account. The exact fee paid by the client will be clearly set forth in the New Account Enrollment Form and the Managed Account Agreement signed by CWA, the client and Placemark Investments, Inc.

Fees are billed quarterly, in advance, and are prorated if the advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and withdrawals from a client's portfolio are prorated for the quarter in which the change occurs. The fee is debited from the client's account by the custodian at the beginning of each quarter based upon the value of assets at the end of the most recent quarter. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

There may be additional fund fees for mutual funds and ETFs, depending on the model chosen. These fees are deducted at the mutual fund level or ETF level and are not directly invoiced to client accounts. They do, however, represent an additional cost to the performance of the account. Detailed information on acquired funds fees in each model is available to the client so that they can assess their true economic expense for CWA UMA accounts.

**Fees for Participation in the MMA Program (Wrap Program) are as follows:**

With respect to the MMA Platform, clients will be charged a base fee of 41 (0.41%) basis points (non-negotiable) based on the value of assets in the account. CWA receives 15 basis points (.15% out of the 0.41%) for investment advisory services provided under the terms of the Statement of Investment Selection and Terms and Conditions that each client is required to execute to set up a MMA. CWA pays a portion of the 15 basis points to Financial Management Research (FMR), an affiliate of CWA, for due diligence services, investment research regarding investment managers, ETF product recommendation and general oversight of Envestnet's responsibilities as overlay manager related to the MMA program. Envestnet receives 20 of the 41 basis points for its fee. Fidelity Brokerage Services ("Fidelity") receives the remaining 6 basis points for custodial and clearing fees.

Fees are billed quarterly, in advance, and are prorated if the advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and withdrawals from a client's portfolio are prorated for the quarter in which the change occurs. The fee is debited from the client's account by the custodian at the beginning of each quarter based upon the

value of assets at the end of the most recent quarter. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

There may be additional fees to the client for wire transfers, special trades, etc. imposed by Fidelity as outlined in the Fidelity Account Application.

**Fees for Participation in the SMA Program are as follows:**

All CWA SMAs have a base fee of 41 basis points, or 0.41%. Of this fee, 20 basis points go to Envestnet, who will be trading the SMAs and serving as the platform provider for the account. 6 basis points is a custodial fee and are paid to Fidelity. The remaining 15 basis points is CWA's advisory fee based on the terms of the Statement of Investment Selection and Terms and Conditions (formerly tri-party agreement; prior to 6/30/10) agreement signed and received by the client for services provided.

In addition to the 41 basis points, there are fees deducted from the accounts that are paid directly to the managers for management of the account. These fees range from 35 basis points to 50 basis points, depending on the manager and/or asset class chosen.

Total fees for a SMA with individual managers only will range from 66 basis points to 91 basis points, depending on the manager chosen.

In the event that a mutual fund is chosen, as part of the SMA, off of the list of approved funds, the client will be billed the initial 41 basis points only. In some cases, mutual funds will not have a custodial charge, and the fee may be as low as 35 basis points. A list of mutual funds without a custodial charge is available upon request.

**Additional Disclosures about the UMA, SMA and MMA Program Fees**

CWA pays FMR for the provision of its financial management research services from fees it collects from its clients. There is no extra fee charged to clients for FMR services. CWA remits a portion of the AUM fees received for "global services" on pension investments to FMR as compensation under the terms of the CWA agreement with FMR to provide research, due diligence, monitoring and screening as global services to pension plans as listed on page 1. In addition, CWA remits a portion of the 15 basis points received on SMA/UMA/MMA/ETF programs to FMR as compensation under the terms of the CWA agreement with FMR to provide research, due diligence, monitoring and screening.

In situations where a CWA client is acting as a trustee under ERISA definitions for their pension plan and is an investor in Dental Community Financial Holdings, Ltd. ("DCFH"), the fees generated by those ERISA investments assets will not be retained by or paid to FMR for services rendered to CWA. A more detailed description of DCFH and the potential conflicts of interests are discussed in the Affiliated Entities section of this ADV Part 2A.

**Additional Fees and Expenses**

The fees CWA charges may be negotiable based on the amount of assets under management, complexity of client goals and objectives, and level of services rendered. As described above, the fees are charged as described and are not based on a share of capital gains of the funds of an advisory client.

All fees paid to CWA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of CWA. In that case, the client would not receive the services provided by CWA which are designed, among other things, to assist the client in determining which mutual 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 the fees charged by CWA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

There may be other limited services not detailed above where financial planning and/or investment advisory services are provided that have the assets under management component to the fee charged. The AUM fee ranges from 10 to 30 basis points based on the total assets under management. Services provided and fee charged are detailed in the client engagement letter. These fees are in addition to other fees charged for a particular investment program or fixed fee for financial planning services.

#### **Performance-Based Fees and Side-By-Side Management - Item 6**

Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets. CWA and its Associated Persons do not accept performance based fees.

#### **Types of Clients - Item 7**

We provide fee-only personal financial counseling and investment advisory services to individuals, professional entities and trustees/plan sponsors of pension and profit sharing plans; all involved either directly or indirectly with the healthcare profession.

We do not require an account minimum to retain our firm for advisory services. However, certain programs offered by our firm have their own account minimum requirements. For example, the SMA program has a minimum investment requirement of \$100,000.

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

As described under **Advisory Services** above, CWA offers Investment Management Services by referring clients to Pooled Investment, UMA and SMA programs. We will assist our clients in selecting an appropriate allocation model and completing an investor profile. The investor profile will help us determine the asset allocation strategy.

Our affiliate, III to I Financial Management Research, LP (hereafter "FMR") provides a variety of financial management research services to us. The services provided by FMR are for our sole benefit. All investment advice given to our clients shall be deemed to be investment advice rendered by us for the benefit of our clients. The financial management research services include but are not limited to the following:

- a. Asset allocation analysis;



- b. Research on investments and securities including alternative forms of investments (i.e. commodities or real estate, etc.);
- c. Due diligence research on investment, securities and asset management companies and managers;
- d. Periodic monitoring of investment, securities and asset management companies and managers;
- e. Assistance in selection of investment, securities and asset management companies and managers;
- f. Research on specific investments and securities in whatever form they may take;
- g. General research about investment, securities and asset allocation;
- h. Global investment services;

In addition, FMR will provide due diligence and ongoing monitoring of T Bank, N.A. (T Bank) and other third party providers utilized by FMR and/or CWA as applicable to ensure such providers meet certain minimum qualitative and quantitative standards adopted by FMR and/or CWA.

The investment advice provided along with the strategies suggested by CWA will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, clients should fully understand the nature of the contractual relationship(s) into which they are entering and the extent of their exposure to risk. Certain investing strategies may not be suitable for many members of the public. Clients should carefully consider whether the strategies employed will be appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk. Clients should familiarize themselves with the risks involved in the particular market instruments they intend to invest in.

**Funds May Lose Value:** There can be no assurance that a Fund will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested in a Fund. An investment in a Fund may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

**Interest Rate Risk:** A Fund that invests in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** A Fund that invests in bonds and other fixed income securities is subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult



to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk and Hedging:** Due to a Fund's assets and liabilities denominated in currencies different to its base currency, the Fund may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates between the base currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's shares, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the base currency, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security. A Fund may engage in foreign currency transactions in order to hedge against currency exchange risk; however there is no guarantee that hedging or protection will be achieved. This strategy may also limit the Fund from benefiting from the performance of a Fund's securities if the currency in which the securities held by the Fund are denominated rises against the base currency.

**Futures and Options in Funds:** Funds may invest in options and futures on securities, indices and interest rates for the purpose of efficient portfolio management. Also, Funds may invest in futures, options or forward foreign exchange contracts to hedge market and currency risks. Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Sector Risk:** Funds which concentrate their portfolio in a specific sector may carry a higher degree of risk due to lower diversification and sector-specific risks. Because these investments are limited to a relatively narrow segment of the economy, the Funds' investments are not as diversified as most funds. This means that these Funds tend to be more volatile than other funds and their portfolio values can increase or decrease more rapidly. The performance of each Fund may differ in direction and degree from that of the overall stock market.

**Small Capitalization:** Funds which include smaller capitalization companies, may involve greater risk than Funds investing in larger, more established companies. For example, small capitalization companies may have limited product lines, markets and financial or managerial resources. As a result, price movements in securities of smaller capitalization companies may be more volatile. Transaction costs in securities of smaller capitalization companies can be higher than those of larger capitalization companies and there may be less liquidity.

**Non-Investment Grade Debt:** Credit risk is more pronounced for investments in fixed-income securities that are rated below Investment Grade or which are of comparable quality. The risk of default may be greater and the market for these securities may be less active, making it more difficult to sell the securities at reasonable prices, and also making valuation of the securities more difficult. A Fund may incur additional expenses if an issuer defaults and the Fund tries to recover some of its losses in bankruptcy or other similar proceedings.

#### **Disciplinary Information - Item 9**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' evaluation of CWA or the integrity of CWA's management. There is no history of reportable legal or disciplinary events by CWA, our principals or advisory representatives.

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

CWA is also a Certified Public Accountancy firm and as such offers accounting and tax services to clients. Typically it is expected that clients for whom accounting services are offered are also financial planning and advisory clients. The fees for accounting services are separate and distinct from the fees charged for financial planning and advisory services. CWA anticipates that 15% of its activities involve general accounting services, 15% of its activities involve tax planning and preparation, 5% of its activities involve non-advisory services, and the remainder involves financial planning and investment advisory services.

Darrell Cain and Michael Watters, the principals of CWA, were organizers and/or investors in T Bank, N.A., a national bank, ("T Bank") located in Dallas, Texas. The capital for the bank was raised through a public offering of common stock. Messrs. Cain and Watters, and other persons employed by or who are owners of CWA are or have been investors in the Bank. Mr. Cain and Mr. Watters are not on the Board of Directors of T Bank.

CWA, their affiliates, officers, directors and employees may own stock in T Bank, a publicly traded company. Although CWA believes T Bank to be an appropriate and suitable provider of trust services, please be advised that recommendations by CWA, their affiliates, officers, directors and employees to clients concerning T Bank and the pooled investment program may be regarded as a conflict of interest, by virtue of their stock ownership in T Bank. CWA has performed appropriate due diligence of T Bank Trust services, including comparison pricing and has concluded that T Bank provides quality services and competitive pricing.

CWA's affiliate, III to I Financial Management Research, LP (FMR), an SEC registered investment adviser, is contracted by T Bank to provide certain investment advisory services to T Bank. Specifically, FMR provides advisory services related to the pooled funds. Implicit in a CWA recommendation of T Bank is a recommendation of FMR. This represents a potential conflict in that a recommendation of T Bank may be regarded as being influenced by the affiliate relationship between FMR and CWA, and the contractual relationship between T Bank and FMR.

The following is a list of entities that either or both Messrs. Cain and Watters, other managing members, CWA, its related persons or clients of CWA have an economic, management or other beneficial interest. Mr. Darrell Cain and Mr. Michael Watters, other managing members, its employees and/or related

parties, may, at times participate in real estate or other ventures, in which certain clients of CWA are investors or in which certain CWA clients may be solicited to invest. Messrs. Cain and Watters and other managing members, employees, or other parties related to CWA may act in one or more of the following capacities, (i) managing members (ii) general partners, (iii) limited partners, (iv) service providers, or (v) investors of these investment vehicles. In addition, CWA or its related persons may provide accounting, tax, consulting or management services to such entities and may be compensated for providing such services to these entities, either by management fees, investment returns or by an alternate method of compensation.

**III to I Financial Management Research, LP** – Investment research and due diligence provider to CWA; CWA and its related persons have a controlling interest in the entity that operates as the General Partner (III to I FMR, Inc.) of III to I Financial Management Research, LP. There is a conflict in that CWA clients were solicited to invest in the DCFH partnership that provides a lending facility to III to I Financial Management Research, LP. CWA and its related persons have an economic and controlling interest in III to I Financial Management Research, LP and control the activities of DCFH and III to I FMR, Inc. There is no CWA client investment in this entity.

**III to I FMR, Inc.** – General Partner of III to I Financial Management Research LP; There is no client investment in this entity. However, there is a conflict in that CWA and its related persons solicited client investment in the DCFH partnership which loans money to III to I Financial Management Research LP and are investors and managing members of each of the aforementioned entities for which the General Partner (III to I FMR, Inc.) receives pro rata profit and loss of this entity.

**Intranet Dental Community** – Intranet Dental Community-Provider of consulting, web-site and internet services primarily to affiliated companies. FMR pays a fee to this entity for these services. Messrs. Cain and Watters are managing members and investors in this company and have an economic interest in the company.

**III to I Foundation, Inc.** – Charitable foundation offering seminars and financial education; Annual and lifetime membership fees of individual donations, registrations fees and silent auctions; approximately 20% of CWA clients are subscribers or donors.

**III to I Emerging Market Partners, LLC** – Limited Liability Company formed for real estate development; provides real estate management services to the III to I Emerging Market Partners Real Estate Investment Fund I, LP. Mr. Cain is an investor in this company and has an economic interest in the company. There is no CWA client investment in this entity.

**III to I Property Management, LLC** – General Partner of III to I Emerging Market Partners Real Estate Investment Fund I, LP; there is no CWA client investment in III to I Property Management, LLC. There is a conflict in that CWA and its related persons solicited client investment in the III to I Emerging Market Partners Real Estate Investment Fund I, LP partnership. Mr. Cain is a managing member and investor in this company and has an economic interest in the company.

**III to I Emerging Market Partners Real Estate Investment Fund I, LP** – is a limited partnership organized under the laws of Texas for the primary purpose of investing in commercial real estate properties. The Partnership activities may include the purchase, management, leasing, improvement and sale of commercial real estate. The Partnership is also authorized to engage in other activities if the General

Partner believes such activities will benefit the Partnership's core business of real estate investment, including lending Partnership funds to affiliates of the General Partner, who also may be affiliates of CWA. This partnership was presented to clients through a confidential private offering memorandum with related risk disclosures. Investors in this partnership should understand that this investment is not liquid and liquidation cannot occur. Approximately 20% of CWA clients are investors. An independent annual audit is performed on III to I Emerging Market Partners Real Estate Investment Fund I, LP.

**SMD Investments, LLC** – Limited Liability Company formed for investment in real estate property; Mr. Cain is an investor in this company, and this company holds Class B interest in III to I Emerging Market Partners Real Estate Investment Fund I, LP and has an economic interest in the company. There is no CWA client investment in this company.

**Dental Community Financial Holdings, Ltd (DCFH)** – Partnership formed to loan funds to or acquire equity or other financial interests in entities that will provide services to CWA clients. Special disclosure for advisory clients of CWA solicited to invest in this partnership: the above purpose was fulfilled and loans were made by DCFH to FMR for its operations. It is important to understand that the ability of FMR to meet its investment return objectives, including repayment of the loans from DCFH, and further for DCFH to provide a return to its investors, is conditioned upon sufficient assets being supervised by CWA. The ability to retain such a base of assets will be dependent upon the ongoing efficacy of CWA's investment advisory services platform, the ability of the investment managers, mutual funds, and exchange traded funds to generate adequate returns to keep clients assets from transferring elsewhere and the ability of CWA to attract and retain clientele. Clients should understand that in addition to the normal market risk associated with a securities investment in the pooled investment platform; those clients who invested in DCFH also depend upon client and third party assets staying with CWA. Thus, such clients' losses can be compounded in an environment where investment losses cause net outflows from the CWA investment advisory services platform. In a situation where a CWA client is acting as a trustee under ERISA definitions for their pension plan and is an investor in this partnership the investment fees generated by those ERISA investment assets will not be retained by FMR for services rendered. This investment opportunity was presented to clients through a confidential private offering memorandum which included risk disclosures, and approximately 18.77% of clients are investors. Investors in this partnership should understand that this investment is not liquid and liquidation cannot occur except at times specified in offering memorandum. An independent annual audit is performed on Dental Community Financial Holdings, Ltd.

Moreover, there is an inherent conflict in that the clients' ability to receive and sustain investment returns in DCFH may require the client to leave assets in the platform where there may be better investment alternatives available. In other words, if the client withdraws assets from the investment platform then it is possible that returns from an investment in DCFH may be negatively impacted. This conflict does not occur where a CWA client is defined as ERISA trustee for their firm's pension plan and is an investor in this partnership as the ERISA investment assets and related fees will not be retained by FMR for services rendered.

**III to I Maritime Partners Cayman I, LP** – is a limited partnership organized under the laws of the Cayman Islands for the primary purpose of acquiring, managing and operating vessels, including anchor handling tug supply vessels, tankers and other niche market specialty vessels, through an investment in I-A Suresh Capital Maritime Partners Limited (I-A SCMP), its wholly owned subsidiary. This partnership has been presented to clients through a confidential private offering memorandum with risk disclosures.

Investors in this partnership should understand that this investment is not liquid and liquidation cannot occur. The Class A units in the Fund were registered with the Securities and Exchange Commission (SEC) on April 30, 2009, which registration became effective 60 calendar days thereafter, at which point the Fund began filing quarterly and annual reports, and other necessary disclosures, with the SEC. Approximately 35% of clients are investors. An independent audit is performed on III to I Maritime Partners Cayman I, LP.

**III to I International Maritime Solutions Cayman, Inc.** – General Partner of III to I Maritime Partners Cayman I, LP; there is no CWA client investment in this entity. This entity is wholly owned by III to I IMS Holding, LLC. There is a conflict in that this company is the General Partner of the III to I Maritime Partners Cayman I, LP and CWA clients may be advised to invest in this partnership. Gary V. Moore is on the Board of Directors of the General Partner of the partnership, III to I International Maritime Solutions Cayman, Inc., and serves on its audit committee. Mr. Moore is also General Manager and Chief Compliance Officer of CWA. Messrs. Cain and Watters are on the Board of Directors as well, and Mr. Watters serves on the audit committee, but does not receive board fees for his services.

**III to I IMS Holdings, LLC** – Limited Liability Company formed to manage investment partnerships. Currently manages III to I Maritime Partners Cayman I, LP. Messrs. Cain and Watters are managing members and/or investors in this company and have an economic interest in the company. There is conflict in that this company is the owner of the General Partner of III to I Maritime Partners Cayman I, LP and CWA clients may have been advised to invest in this partnership.

**Dental Community Holdings, Inc.** – General Partner of Dental Community Financial Holdings, Ltd. Messrs. Cain and Watters do not receive an economic benefit from this entity. There is no CWA client investment in this entity.

**Shrooms, LLC** - Limited Liability Company formed by certain managing members to invest in real estate, shipping and other opportunities. There is no CWA client investment in this entity.

**Best New Patients, LLC** – Steve Cain owns 40% interest in this company that is in the business of assisting dentists in the marketing of dental services of their practice. Messrs. Cain and Watters each own 10% and 40% is owned by Productive Dentist academy. Productive Dentist Academy is not affiliated with CWA but is affiliated with a client of CWA. Best New Patients may market its services to clients of CWA.

**Family Legacy Trust Company** – organized as an association in the state of Texas, and a wholly owned subsidiary of Dental Community Financial Holdings, Ltd (DCFH), a limited partnership organized under the laws of Texas. DCFH was created for the purpose of acquiring equity in or making loans to organizations that will provide services to clients of CWA, an affiliate of DCFH. The general partner of DCFH is Dental Community Holdings, Inc., a Texas corporation which is owned equally by Messrs. Cain and Watters. FLTC has an agreement with CWA to provide services to CWA's clients (fees to be paid by CWA on a per client basis) and will also provide such services to other customers. The company is a Texas State Chartered Trust Company and provides traditional fiduciary services, estate and gift tax planning services, transfer tax consultation and compliance services, and sponsors an investment fund. Messrs. Cain and Watters do not receive an economic benefit from this entity, but Mr. Cain serves as a board member and as the Chief Investment Officer.

**FLTC Fund I** – Family Legacy Trust Company has established this fund to invest in alternative investment asset classes for qualified pension assets such as shipping, real estate, energy and other industries through a private offering memorandum. CWA clients should completely read and understand the private offering memorandum and related risk of investment. CWA and its advisors cannot due to regulatory restrictions recommend or advise a CWA client to invest in this Fund. CWA clients should seek the advice of an independent advisor to evaluate this investment opportunity if considered necessary. Investors in this fund should understand that this investment is not liquid and liquidation cannot occur except at times specified in offering memorandum.

The referral arrangements we have with affiliated entities do present a conflict of interest. We are separately compensated if clients use our affiliates' services. While we believe that the compensation charged by our affiliates is competitive, the fees charged may be higher than other firms that provide similar services. Clients are not required to use our affiliates' services and may contract with other providers.

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

##### **Description of Our Code of Ethics**

CWA has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes CWA's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of CWA's Code of Ethics is available upon request to the Chief Compliance Officer at CWA's principal office address on the cover of this brochure.

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

Clients of CWA, may be solicited to invest in real estate or other ventures in which CWA, its related entities, related persons, and Messrs. Cain and Watters may act in one or more of the following capacities, (i) managing members, (ii) general partners, (iii) limited partners, (iv) service providers, or (v) investors of these investment vehicles. In addition, CWA, or its related persons may provide accounting, tax and other consulting services to such investment entities and may be compensated for providing such services to these entities. However, CWA clients and prospective CWA clients should understand there is an inherent conflict of interest in that Messrs. Cain and Watters, CWA and its related persons may have an ownership, controlling, beneficial, or managerial interest in the aforementioned entities, and may provide services to these entities for which they may be compensated. In addition, CWA clients should understand there may be other investment alternatives available free of this conflict of interest. As such, careful consideration should be applied as to how such an investment compares against other



investments of similar composition and risk, how such an investment fits with the client's overall investment strategy, investment policy statement, and asset allocation.

### **Personal Trading Practices**

At times CWA and/or its Associated Persons may take positions in the same securities as clients, which may pose a conflict of interest with clients. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### **Brokerage Practices - Item 12**

For CWA's asset management programs, we recommend and request clients to implement trades and maintain custody of assets through discount brokers. Currently, we recommend the services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") for the UMA program and the services of Fidelity Brokerage Services, LLC ("Fidelity") for the SMA and MMA Programs. Fidelity and TD Ameritrade are members of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC") and the National Futures Association ("NFA").

Fidelity and TD Ameritrade offer independent investment advisers services, which include custody of client securities, trade execution, clearance and settlement of transactions, and daily research and investment information.

We are not affiliated with Fidelity or TD Ameritrade. Our Investment Adviser Representatives are not registered representatives of Fidelity or TD Ameritrade and do not receive commissions or other compensation from recommending these services.

### **Research and Other Soft Dollar Benefits**

Although not considered "soft dollar" compensation, we may receive benefits from Fidelity and/or TD Ameritrade for research services that include reports, software, and institutional trading support.

There is no direct link between the Firm's participation in the TD Ameritrade Institutional program and the investment advice it gives to its clients, although CWA receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits 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 adviser participants; 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to CWA by third party vendors. Some of the products and services made available by TD Ameritrade through the program may benefit CWA but may not benefit its client accounts. These products or services may assist CWA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade

are intended to help CWA manage and further develop its business enterprise. The benefits received by the Firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the Firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CWA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CWA's choice of TD Ameritrade for custody and brokerage services.

In recommending a broker dealer, CWA will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. In addition, CWA may cause the account to pay a higher commission in recognition of the value of "research services" and additional brokerage products and services a broker-dealer has provided or may be willing to provide.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for client referrals.

#### **Review of Accounts - Item 13**

Clients that have signed up for ongoing services are typically provided with periodic reviews of their investment accounts and a review of the overall financial objectives and situation. Annual reviews are held in CWA's office with clients for a complete review of their financial situation. Other items that may trigger a more frequent review of the client portfolios are changes in cyclical or market conditions and sudden changes in the client's financial situation. Each client is assigned a financial planning team, headed by an adviser that oversees the preparation of all reports, performs specific client reviews and is the primary contact with the client.

The reviews described above are conducted by the CWA financial planner/investment adviser representative assigned to the client. The financial planner/investment adviser representative is subject to the general authority of the Chief Compliance officer, the Investment Committee, Partner in Charge of Operations and Managing Partner. Reviewers also are responsible for ensuring that any significant change in a client's investment strategy or concentration of a client's assets in a speculative or risky asset class is appropriate for, and has been reviewed with, the client.

Clients are provided an annual performance review of their accounts at the time of the annual monitoring meeting. Custodians for the assets provide quarterly statements directly to the client. More frequent reports may be requested by the client.



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

CWA does not receive economic benefits from unaffiliated third parties for providing investment advice or other advisory services to clients. CWA, through its related persons and entities, does indirectly participate in client referral arrangements. The conflicts of interest and specifics of these arrangements are fully described in Item 11, Participation or Interest in Client Transactions.

CWA does not directly or indirectly compensate any person or entity for client referrals.

#### **Custody - Item 15**

CWA does not have custody of client funds or securities. All of the custodians of assets held in the investment programs are third party custodians independent of CWA and FMR.

Fund assets are held in custody with the following T Bank approved Custodians: Fidelity Group Company (National Financial Services, LLC), US Bank and TD Ameritrade.

As a condition of participating in the Envestnet's investment program, T Bank uses Fidelity Brokerage Services ("FBS"). As a condition of participating in the Unified Managed Account ("UMA") Platform, clients will be required to use TD Ameritrade for trade execution and custodial services. However, there is no guarantee that these custodians provide the best value or is the low cost solution.

Related persons to CWA act as General Partners to III to I Maritime Partners Cayman I, LP, III to I Emerging Market Partners Real Estate Investment Fund I, LP and Dental Community Financial Holdings, Ltd. CWA is deemed to have custody over these partnerships because of the relationship between CWA and the General Partners to the partnerships. Please refer to Item 10 - Other Financial Industry Activities and Affiliations for further information about these partnerships.

The General Partners provide each investor in the partnerships with audited financial statements on an annual basis. If investors in the partnerships have questions regarding the financial statements or if investors in the partnerships did not receive a copy of the financial statements, they should contact CWA at the contact information provided on the first page of this Disclosure Brochure.

#### **Investment Discretion - Item 16**

CWA provides portfolio management services to its advisory clients on a non-discretionary basis. Please see Item 4, Advisory Services for a full description of CWA's services.

#### **Voting Client Securities - Item 17**

##### **Proxy Voting**

CWA does not exercise the authority to vote proxies on behalf of client securities.

#### **Financial Information - Item 18**

CWA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Additionally, CWA does not have discretionary authority or custody of client funds or securities. Therefore, CWA is not required to present a balance sheet.

Related persons to CWA act as General Partners to III to I Maritime Partners Cayman I, LP, III to I Emerging Market Partners Real Estate Investment Fund I, LP and Dental Community Financial Holdings, Ltd. CWA is deemed to have custody over these partnerships because of the relationship between CWA and the General Partners to the partnerships. Please refer to Item 10 - Other Financial Industry Activities and Affiliations for further information about these partnerships.

The General Partners to the partnerships provide each investor in the partnerships with audited financial statements on an annual basis. Therefore, CWA is not required to present a balance sheet.

CWA does not have reportable financial disclosures – disclosures in which CWA's financial condition would impair CWA's ability to meet contractual commitments to clients.

#### **Requirements for State-Registered Advisors - Item 19**

**This section is intentionally left blank- Our firm is SEC registered.**

#### **Miscellaneous**

##### *Privacy Policies*

CWA views protecting its customers' private information as a top priority and pursuant to the requirements of the federal Gramm-Leach-Bliley Act, CWA has instituted policies and procedures to ensure that customer information is kept private and secure.

CWA does not disclose nonpublic personal information about its customers or former customers to nonaffiliated third parties, except as permitted by law. In the course of servicing a client's account, CWA may share some information with its service providers, such as custodians or broker-dealers.

CWA restricts internal access to nonpublic personal information about clients to those employees or investment advisory representatives who need access to that information in order to provide services to the client. It is CWA's policy to never sell information about current or former customers or their accounts to anyone. It is also CWA's policy not to share information unless required to process a transaction, at the request of a customer, or as required by law.

A copy of CWA's privacy policy notice will be provided to each client prior to, or at the time the advisory agreement is executed. Thereafter, CWA will deliver a copy of the current privacy policy notice to its clients on an annual basis. Clients have questions about this policy, may contact us at the phone number listed on the cover of this brochure.

# **Cain, Watters & Associates, PLLC**

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**March 7, 2012**

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

Cain, Watters & Associates, PLLC is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This Wrap Fee program brochure provides information about the qualifications and business practices of Cain, Watters & Associates, PLLC. If you have any questions about the contents of this brochure, please contact us at (972) 233-3323. 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.

Additional information about Cain, Watters & Associates, PLLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

**Revised: March 7, 2012**

The purpose of this page is to inform you of any material changes since the previous version of this brochure.

On March 7, 2012, we filed an amendment to our Form ADV Brochure to reflect the following changes:

- Our principal office address was changed to 6900 North Dallas Parkway, Ste 500, Plano, TX 75024.
- We have removed all reference to Altegris Investments, Inc. since we no longer use their services.

### **Table of Contents - Item 3**

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#### **Services Fees and Compensation - Item 4**

Cain, Watters & Associates, PLLC (hereinafter "CWA") co-sponsors a Wrap Fee program with Envestnet called the Multiple Manager Account ("MMA") Program, whereby the Firm manages Client accounts for a single fee that includes portfolio management services, custodial services and the transaction/commission costs.

The MMAs are comprised of asset allocation models created by Envestnet and approved by CWA. Envestnet offers clients access to a diversified suite of two or more professional money managers to manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives.

MMAs at CWA are single accounts in which a client will have multiple managers and asset classes. Depending on a variety of factors, including but not limited to client risk tolerance and client asset size, a MMA account could include one or more money managers in the equity and/or fixed income space that are run in a separate account. The rest of the MMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities and/or individual bonds, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs.

The transactions in Client accounts will be executed by Fidelity Brokerage Services ("Fidelity") which will also receive a portion of the fee for trade execution expenses. CWA is responsible for client investment advice and communications, suitability analysis, and required disclosures to the client. CWA has contracted with Financial Management Research ("FMR") to provide due diligence services and recommend managers from Envestnet's group of money managers. Investment allocation models / recommendations are made by CWA's investment committee to Envestnet.

The terms and conditions under which a Client participates in CWA's wrap fee program will be set forth in a written agreement between the Client and CWA. The overall cost incurred from participation in our wrap fee program may be higher or lower than if the services were purchased separately from other advisers.

The wrap fee accounts are managed by the money managers on a discretionary basis (that is, the money managers do not obtain the Client's approval for each transaction) and are based on a long-term investment strategy. Clients may place reasonable restrictions on our portfolio holdings by setting a limit on the type of securities that can be purchased for the account. All restrictions must be provided in writing.

Investments and allocations are determined and based upon the Clients predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors. Further restrictions and guidelines imposed by Clients may affect the composition and performance of a Client's portfolio. For these reasons, performance of the portfolio may not be identical with the average Client of CWA. On an ongoing basis, CWA reviews the Client's financial circumstances and investment objectives and makes any adjustments to the Client's portfolio as may be necessary to achieve the desired results.

### **Program Fee**

MMA accounts will be charged a base fee of 41 (0.41%) basis points (non-negotiable) based on the value of assets in the account. CWA receives 15 basis points (.15% out of the 0.41%) for investment advisory services provided under the terms of the Statement of Investment Selection and Terms and Conditions that each client is required to execute to set up a MMA. CWA pays a portion of the 15 basis points to Financial Management Research (FMR), an affiliate of CWA, for due diligence services, investment research regarding investment managers, ETF product recommendation and general oversight of Envestnet's responsibilities as overlay manager related to the MMA program. Envestnet receives 20 of the 41 basis points for its fee and to pay portfolio managers. Fidelity Brokerage Services ("Fidelity") receives the remaining 6 basis points for custodial and clearing fees.

Fees are billed quarterly, in advance, and are prorated if the advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and withdrawals from a client's portfolio are prorated for the quarter in which the change occurs. The fee is debited from the client's account by the custodian at the beginning of each quarter based upon the value of assets at the end of the most recent quarter. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

There may be additional fees to the client for wire transfers, special trades, etc. imposed by Fidelity as outlined in the Fidelity Account Application.

In determining whether to establish a Program account, a Client should be aware that the overall cost to the Client of the Program may be higher or lower than the Client might incur by purchasing separately the types of securities available in the Program. In order to compare the cost of the Program with unbundled services, the Client should consider the turnover rate in CWA's investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at Fidelity, or at other broker-dealers and investment advisers.

### **Additional Fees and Expenses**

The fees are charged as described above and are not based on a share of capital gains of the funds of an advisory Client.

All fees paid to CWA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a Client may pay an initial or deferred sales charge. A Client could invest in a mutual fund directly, without the services of CWA. In that case, the Client would not receive the services provided by CWA which are designed, among other things, to assist the Client in determining which mutual 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 the fees charged by CWA to fully understand the total amount of fees to be paid by the Client and to thereby evaluate the advisory services being provided.

There may be other costs assessed, which are not included in the Program Fee, such as national securities exchange fees; charges for transactions with respect to assets not executed through the custodian, costs associated with exchanging currencies; wire transfer fees; or other fees required by law.

### **Termination**

The agreement between CWA and the Client will continue in effect until either party terminates in accordance with the terms of the agreement. CWA's fee will be pro-rated through the date of termination. In the event there are any prepaid unearned fees, CWA will return a pro rata share to the Client.

Upon termination of accounts held at Fidelity, Fidelity delivers securities and funds held in the account as instructed by Client, unless Client requests that the account be liquidated. After the Agreement has been terminated, transactions are processed at the prevailing brokerage rates. Client becomes responsible for monitoring their own assets and CWA has no further obligation to act or provide advice with respect to those assets.

### **Account Requirements and Types of Clients - Item 5**

We provide fee-only personal financial counseling and investment advisory services to individuals, professional entities and trustees/plan sponsors of pension and profit sharing plans; all involved either directly or indirectly with the healthcare profession.

We do not require an account minimum to retain our firm for advisory services. However, certain programs offered by our firm have their own account minimum requirements. For example, the SMA program has a minimum investment requirement of \$100,000.

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

Cain, Watters & Associates, PLLC ("CWA") is a registered investment advisor based in Plano, Texas. We are a Professional Limited Liability Company organized under the laws of the State of Texas. We have been providing investment advisory services since 1984. Cain & Watters, PC is the principal owner of CWA. Darrell W. Cain and Michael T. Watters are the principal owners of Cain & Watters, PC.

We provide comprehensive financial planning services geared toward healthcare professionals. CWA teaches a philosophy of consistently investing money for the long term. CWA provides the following services:

- **Financial Planning Services**
- **Portfolio/Asset Management Services**

The following paragraphs describe what we do and what we charge. Each investment advisory service is listed below and describes how we tailor our advisory services to our clients' individual needs. Also, clients may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm.



## **Financial Planning Services**

### **Personal Financial Planning (New Financial Plan)**

This comprehensive service begins by preparing the client for a one-day meeting at our office located in Plano, Texas. The meeting is structured to review the client's objectives and financial status, including current investments, planning for retirement, income tax planning, insurance coverage, estate planning, issues concerning their professional practice or business and investment management.

The meeting includes:

- Review and evaluation of the client's current finances;
- Financial educational briefing on money accumulation, debt evaluation, tax spirals and tax environments;
- Setting personal wealth goals;
- Asset allocation;
- Investment portfolio analysis;
- Recommending investments and/or investment managers consistent with the client's goals for their financial plan;
- Complete financial scheduling, including tax planning, cash flow planning, debt structuring, pension planning and other personal and practice issues;
- Estate planning;
- Analysis of other critical issues defined by the client; and
- Creation of an action report detailing recommendations and specific steps for CWA and the client.

For the next sixty days after this meeting, we will continue to assist the client by answering questions, addressing issues in the financial plan and assisting in the implementation of the financial strategies which have been determined as a result of the meeting.

### **Monitoring Program & Annual Planning Review and Update for Individuals and Professional Entities**

We provide ongoing assistance to monitor the client's financial progress and periodically confer with the client regarding financial objectives and actions. The services provided under this arrangement are as follows:

- Annual meeting with client to review and update client financial objectives and status;
- Continuing review throughout the year of additional financial information as it relates to the financial plan and objectives via periodic telephone conferences including investment advice on any new or alternative investment opportunities;
- Continuing assistance in implementation of client financial strategies determined at the initial or annual financial planning meeting;
- Tax Planning;
- Monitoring the progress of issues, particularly as it relates to financial goals;
- Online access to financial planning, accounting and tax data;
- Asset allocation re-balancing; and
- Review of investment portfolio balances compared to financial plan goals.

### **Monitoring Program for Pension & Retirement Plans**

We provide ongoing assistance as requested to monitor the Plan's desired objectives relative to the trustee and/or sponsoring client's goals by assisting in the following manner (these services may be customized to the specific situation):

- Review the Plan design, and relatedly, make recommendations on changes to design of Plan;
- Explain documentation to be distributed to participants;
- Review overall allocation of investments and assets of Plan;
- Make specific recommendations on changes to investments and assets held in the Plan;
- Reconcile contributions to the Plan, and balances due, based on annual administration of Plan provided by third party administrators;
- Make recommendations to the Plan Representative, on estimated annual funding, to the Plan;
- Monitor the Plan's investments and assets performance, on a periodic basis;
- Specifically, as requested, only, plan timing of distributions to retired plan trustees of the Plan, especially as to the "rollover" of pension assets;
- Assist in processing investment documentation related to the Plan, including, documentation to open new accounts, to transfer accounts, or to withdraw from an accounts, and;
- Act as liaison between the Plan's attorneys and third party pension administrators.

### **Other Financial Planning Services Offered**

Services are offered for clients of CWA that need financial planning other than the programs outlined above. They include:

1. Financial planning for individuals that need assistance with retirement assets and/or do not require complex structuring and planning
2. Financial planning for Dental students completing school or recent graduates preparing to open their own practice (I:I Program)
3. Financial planning for Clients desiring a preliminary financial review and information analysis – 4 areas of review; not comprehensive as the personal financial planning service

### **Financial Plan Monitoring Service for Retirees & Others**

Financial plan monitoring services will vary depending on the complexity of the client's individual situation. Those clients with complicated circumstances will be required to return annually for a meeting and review of their plan. For clients with a less complicated financial plan it may appropriate to meet less frequently.

### **I:I Program (New Doctors)**

Initial financial plan preparation services will vary depending on the needs of the client and the overall complexity of the client's individual situation. The service starts with a financial planning meeting and covers a period of twelve months. During this time, CWA assists the client in implementing their financial plan. Under a separate engagement, clients are offered monitoring services for the same structure as traditional CWA monitoring clients.

### **Preliminary Financial Review**

This service is conducted via electronic means with the client completing a short questionnaire along with providing some specific documentation as described for analysis. CWA will then review the

information and schedule a 2 hour phone call with the client and provide a written review. This service focuses on high level review of 4 areas – dental practice, personal and retirement investment accounts, retirement plan, and personal and corporate tax returns.

Financial plans are based on the client's financial situation and the financial information provided to our firm. If the client's financial situation, goals, objectives, or needs change, the client must notify us promptly.

Clients may choose to accept or reject our recommendations. Clients who decide to proceed with our recommendations, may do so either through our investment advisory services or by using the advisory/brokerage firm of their choice.

Fees charged for Financial Planning services are described under the heading - **Fees and Compensation**.

#### **Investment Advisory Services**

Investment Advisory or Asset management refers to the management of money, including investments. Assets are usually held in what is called a portfolio. Determining the types and quantities of securities to hold in a portfolio is referred to as portfolio management.

We offer non-discretionary investment advisory services to our clients. Non-discretionary services mean that we must obtain the client's approval prior to any transactions in the client's account.

Currently, we offer the following asset management programs:

#### **Global Services Provided to Pension & Retirement Plans Invested in Certain Recommended Investment Programs**

We will provide additional services which are more global in nature to pension and retirement plans invested in certain recommended investment programs. These services generally impact, affect and benefit all of the pension and retirement plan clients with investments and assets in these investment programs. The services are as follows:

- Perform periodic investment and asset manager review (quarterly and intra-quarterly);
- Periodically, perform holdings analysis;
- Build relationships with investment and asset managers;
- Perform new investment and asset manager searches, and advise custodians as to results;
- Review quarterly performance reports from custodians;
- Provide asset selection analysis and allocations, among investments, generally for all Pension Clients;
- Perform research on markets, trends, investments, and alternative investment classes, and;
- Analyze performance of investments.

For a complete description of fees and charges please refer to the section titled Fees and Compensation within this disclosure Brochure.

The above global services are provided for all clients invested in our Pooled Investment Program, Unified Managed Account Program ("UMA"), Multiple Manager Account Program ("MMA") and the Separately Managed Account Program ("SMA"). These programs are discussed in further detail below:

#### **Pooled Investment Program through a National Bank**

Investment advisory clients have the option to invest personal trust assets and qualified plan trust assets in a pooled investment program, offered through a national bank. The bank's Trust Department will act as trustee for personal asset accounts and custodian for qualified plan assets accounts established with the bank. The bank offers eight (8) investment funds for personal trust assets and eight (8) investment funds for qualified plan trust assets.

Each fund is managed by one or more managers or invested in mutual funds. The investment managers are recommended to the bank by III to I Financial Management Research, LP (hereafter "FMR"), an affiliate of CWA. (See Other Financial Industry Activities and Affiliations). The bank has contracted FMR to provide advisory services with respect to due diligence and selection of investment managers for the pooled investment program. Under the terms of the agreement between FMR and the bank, FMR shall advise the bank on the selection of investment managers to the program.

FMR does not exercise any discretionary authority over the investments of the pooled Funds. Decisions related to the purchase and sale of securities are made by the individual money managers or mutual funds. From time to time, FMR may recommend to the bank a change in managers for the Funds. Manager changes require approval by the bank's trust committee before implementation. The bank can remove any investment manager without the recommendation or approval of FMR.

Investment advisory clients, in conjunction with advice and recommendations from an Associated Person of CWA, will generally select from one of seven investment models that contain various ranges of risk tolerance and asset allocations. The models range from capital preservation to aggressive growth. The client can also customize a model to fit their needs and risk tolerance. Such asset allocation recommendation is based upon the client's risk tolerance, financial planning goals, investment objectives and client instructions. The bank requires a signed trust or custodial instrument, appointing the bank as trustee or custodian under the pooled investment program, depending on the type of assets to be invested (personal or qualified plan) as well as other account opening documents. All documents are collected by CWA who forwards such documents to the bank, for the purpose of establishing the trust/custodial account(s).

Purchase of pooled investment funds must be made in cash or wire transfer, and will appear on the client's bank statement. In-kind transfers of securities cannot be invested in the pooled investment funds, but may be held in the same bank account with the pooled fund investment. This security information will also appear on the client's bank statement. Tax issues relating to the client's liquidation of an investment in a previous investment program are considered during the financial planning and tax planning advice that the client receives from us. Withdrawals of cash can occur up to, and including, the amount of the free cash balance in the trust or custodial account. To the extent that additional cash is required by a client, an appropriate amount of assets held in the fund will then have to be liquidated. It is important to note that liquidation can only occur once, at the end of each month. Our investment advisory clients should consider this liquidity timing when investing in the pooled investment funds.

The pooled investment funds are valued by the bank at the end of each month. This is the time admissions and withdrawals are processed. Units of the funds can only be purchased or sold on valuation dates. As a result, monies deposited after the first of each month will not be invested in the pooled investment funds until the next valuation date. The cash credit balance will earn a market rate of interest until such balance is invested.

**Unified Managed Account Platform for Individuals, Trusts, Retirement Plans, Corporations, Partnerships and other Legal entities ("UMA")**

CWA, in conjunction with Placemark Investments, Inc., offers clients access to the Unified Managed Account ("UMA") Platform. The UMA Platform provides clients with access to a diversified suite of one or more professional money managers to manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives. We will continuously monitor the performance of any accounts managed by the sub-advisors. The sub-advisors may use one or more of their own model portfolios to manage your account.

UMAs at CWA are single accounts in which a client will have multiple managers and asset classes. Depending on a variety of factors, including but not limited to client risk tolerance and client asset size, a UMA account could include one or more money managers in the equity and/or fixed income space that are run in a separate account. The rest of the UMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities and/or individual bonds, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs.

The transactions in Client accounts will be executed by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") which will also receive a portion of the fee for trade execution services.

CWA clients have the opportunity to allocate their investment monies to three to five investment models, depending on account size, managed by a selection of money managers and/or mutual funds, within a UMA account. Models are recommended based on a client's risk profile, investment goals and objectives. The UMA program requires the approved money managers to meet certain due diligence criteria established by CWA and to operate pursuant to certain operational and technological constraints as prescribed by Placemark Investments, Inc. and custodian. Given differences in the ways in which particular clients' individual circumstances are identified and in which those circumstances are interpreted by different Associated Persons of CWA, different clients having the same or closely related personal circumstances and risk profiles may receive somewhat different asset allocation recommendations and, as a result, different investment manager or mutual fund recommendations.

**Separately Managed Account Program ("SMA")**

For CWA clients with investment assets over \$100,000, the alternative exists for their portfolios to be managed by individual money managers. Individual bond managers require various investment minimums generally \$100,000 - \$250,000 per manager. Each stock and bond manager requires a separate custodial account. Fees for each manager will be separately identified and deducted from the client's custodial account.

As with the UMA program, the SMA program also offers a select group of mutual funds for additional investing options. The same investment, due diligence, screening and monitoring processes used in the ETF and UMA program to review and to monitor the money managers are used in the SMA program.

The client pays CWA (as applicable based on services performed), the Custodian, and the Provider(s) of investment research, due diligence, performance monitoring and performance reporting, including fees charged by separate account manager(s) by granting standing instructions to the Provider (the Trustee/Custodian) to deduct and disburse such fees from the client's account at the custodian.

***Delegation to sub-advisors:*** *Clients who have hired us for portfolio management services should note that we may use one or more sub-advisors to offer the firm due diligence services. All sub-advisors that we recommend to clients must be registered as investment advisers with either the Securities and Exchange Commission or with the appropriate state authority(ies).*

### **Assets Under Management**

As of 12/31/2011, we manage \$1,036,542,948 in client assets on a non-discretionary basis.

### **Performance Based Fees - Side by Side Management**

Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets. CWA and its Associated Persons do not accept performance based fees.

### **Methods of Analysis**

As described under **Advisory Services** above, CWA offers Investment Management Services by referring clients to Pooled Investment, UMA and SMA programs. We will assist our clients in selecting an appropriate allocation model and completing an investor profile. The investor profile will help us determine the asset allocation strategy.

Our affiliate, III to I Financial Management Research, LP (hereafter "FMR") provides a variety of financial management research services to us. The services provided by FMR are for our sole benefit. All investment advice given to our clients shall be deemed to be investment advice rendered by us for the benefit of our clients. The financial management research services include but are not limited to the following:

- a. Asset allocation analysis;
- b. Research on investments and securities including alternative forms of investments (i.e. commodities or real estate, etc.);
- c. Due diligence research on investment, securities and asset management companies and managers;
- d. Periodic monitoring of investment, securities and asset management companies and managers;
- e. Assistance in selection of investment, securities and asset management companies and managers;
- f. Research on specific investments and securities in whatever form they may take;
- g. General research about investment, securities and asset allocation;
- h. Global investment services;

In addition, FMR will provide due diligence and ongoing monitoring of T Bank, N.A. (T Bank) and other third party providers utilized by FMR and/or CWA as applicable to ensure such providers meet certain minimum qualitative and quantitative standards adopted by FMR and/or CWA.

The investment advice provided along with the strategies suggested by CWA will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, clients should fully understand the nature of the contractual relationship(s) into which they are entering and the extent of their exposure to risk. Certain investing strategies may not be suitable for many members of the public. Clients should carefully consider whether the strategies employed will be appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances.

#### **Voting of Client Securities - Proxy Voting**

CWA does not exercise the authority to vote proxies on behalf of client securities.

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

CWA and its Associated Persons provide information about our Clients to third parties involved in the management or servicing of the MMA accounts.

#### **Confidentiality**

CWA views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure.

CWA does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a Client account, CWA may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

CWA restricts internal access to nonpublic personal information about its Clients to those employees who need to know that information in order to provide products or services to the Client. CWA maintains physical and procedural safeguards that comply with state and federal standards to guard a Client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the Firm's policy not to share information unless required to process a transaction, at the request of the Client, or as required by law.

A copy of the Firm's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, the Firm will deliver a copy of the current privacy policy notice to its Clients on an annual basis. If you have any questions on this policy, please contact us.

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

Clients are free to contact us at any time. Our primary contact regarding questions about the Program is Gary Moore, our Chief Compliance Officer. Clients may contact him at (972) 233-3323.



We do not restrict client contact with the other entities that are involved in the management of our client accounts.

### **Additional Information - Item 9**

#### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of reportable legal or disciplinary events by CWA, our principals or advisory representatives.

#### **Other Financial Industry Activities and Affiliations**

CWA is also a Certified Public Accountancy firm and as such offers accounting and tax services to clients. Typically it is expected that clients for whom accounting services are offered are also financial planning and advisory clients. The fees for accounting services are separate and distinct from the fees charged for financial planning and advisory services. CWA anticipates that 15% of its activities involve general accounting services, 15% of its activities involve tax planning and preparation, 5% of its activities involve non-advisory services, and the remainder involves financial planning and investment advisory services.

Darrell Cain and Michael Watters, the principals of CWA, were organizers and/or investors in T Bank, N.A., a national bank, ("T Bank") located in Dallas, Texas. The capital for the bank was raised through a public offering of common stock. Messrs. Cain and Watters, and other persons employed by or who are owners of FMR are or have been investors in the Bank. Mr. Cain and Mr. Watters are not on the Board of Directors of T Bank.

CWA, their affiliates, officers, directors and employees may own stock in T Bank, a publicly traded company. Although CWA believes T Bank to be an appropriate and suitable provider of trust services, please be advised that recommendations by CWA, their affiliates, officers, directors and employees to clients concerning T Bank and the pooled investment program may be regarded as a conflict of interest, by virtue of their stock ownership in T Bank. CWA has performed appropriate due diligence of T Bank Trust services, including comparison pricing and has concluded that T Bank provides quality services and competitive pricing.

CWA's affiliate, FMR is contracted by T Bank to provide certain investment advisory services to T Bank. Specifically, FMR provides advisory services related to the pooled funds. Implicit in a CWA recommendation of T Bank is a recommendation of FMR. This represents a potential conflict in that a recommendation of T Bank may be regarded as being influenced by the affiliate relationship between FMR and CWA, and the contractual relationship between T Bank and FMR.

The following is a list of entities that either or both Messrs. Cain and Watters, other managing members, FMR, its related persons or clients of CWA have an economic, management or other beneficial interest. Mr. Darrell Cain and Mr. Michael Watters, other managing members, its employees and/or related parties, may, at times participate in real estate or other ventures, in which certain clients of CWA are investors or in which certain CWA clients may be solicited to invest. Messrs. Cain and Watters and other managing members, employees, or other parties related to CWA may act in one or more of the following capacities, (i) managing members (ii) general partners, (iii) limited partners, (iv) service



providers, or (v) investors of these investment vehicles. In addition, CWA or its related persons may provide accounting, tax, consulting or management services to such entities and may be compensated for providing such services to these entities, either by management fees, investment returns or by an alternate method of compensation.

**III to I Financial Management Research, LP** – Investment research and due diligence provider to CWA; CWA and its related persons have a controlling interest in the entity that operates as the General Partner (III to I FMR, Inc.) of III to I Financial Management Research, LP. There is a conflict in that CWA clients were solicited to invest in the DCFH partnership that provides a lending facility to III to I Financial Management Research, LP. CWA and its related persons have an economic and controlling interest in III to I Financial Management Research, LP and control the activities of DCFH and III to I FMR, Inc. There is no CWA client investment in this entity.

**III to I FMR, Inc.** – General Partner of III to I Financial Management Research LP; There is no client investment in this entity. However, there is a conflict in that CWA and its related persons solicited client investment in the DCFH partnership which loans money to III to I Financial Management Research LP and are investors and managing members of each of the aforementioned entities for which the General Partner (III to I FMR, Inc.) receives pro rata profit and loss of this entity.

**Intranet Dental Community** – Intranet Dental Community-Provider of consulting, web-site and internet services primarily to affiliated companies. FMR pays a fee to this entity for these services. Messrs. Cain and Watters are managing members and investors in this company and have an economic interest in the company.

**III to I Foundation, Inc.** – Charitable foundation offering seminars and financial education; Annual and lifetime membership fees of individual donations, registrations fees and silent auctions; approximately 20% of CWA clients are subscribers or donors.

**III to I Emerging Market Partners, LLC** – Limited Liability Company formed for real estate development; provides real estate management services to the III to I Emerging Market Partners Real Estate Investment Fund I, LP. Mr. Cain is an investor in this company and has an economic interest in the company. There is no CWA client investment in this entity.

**III to I Property Management, LLC** – General Partner of III to I Emerging Market Partners Real Estate Investment Fund I, LP; there is no CWA client investment in III to I Property Management, LLC. There is a conflict in that CWA and its related persons solicited client investment in the III to I Emerging Market Partners Real Estate Investment Fund I, LP partnership. Mr. Cain is a managing member and investor in this company and has an economic interest in the company.

**III to I Emerging Market Partners Real Estate Investment Fund I, LP** – is a limited partnership organized under the laws of Texas for the primary purpose of investing in commercial real estate properties. The Partnership activities may include the purchase, management, leasing, improvement and sale of commercial real estate. The Partnership is also authorized to engage in other activities if the General Partner believes such activities will benefit the Partnership's core business of real estate investment, including lending Partnership funds to affiliates of the General Partner, who also may be affiliates of CWA. This partnership was presented to clients through a confidential private offering memorandum with related risk disclosures. Investors in this partnership should understand that this investment is not

liquid and liquidation cannot occur. Approximately 20% of CWA clients are investors. An independent annual audit is performed on III to I Emerging Market Partners Real Estate Investment Fund I, LP.

**SMD Investments, LLC** – Limited Liability Company formed for investment in real estate property; Mr. Cain is an investor in this company, and this company holds Class B interest in III to I Emerging Market Partners Real Estate Investment Fund I, LP and has an economic interest in the company. There is no CWA client investment in this company.

**Dental Community Financial Holdings, Ltd (DCFH)** – Partnership formed to loan funds to or acquire equity or other financial interests in entities that will provide services to CWA clients. Special disclosure for advisory clients of CWA solicited to invest in this partnership: the above purpose was fulfilled and loans were made by DCFH to FMR for its operations. It is important to understand that the ability of FMR to meet its investment return objectives, including repayment of the loans from DCFH, and further for DCFH to provide a return to its investors, is conditioned upon sufficient assets being supervised by CWA. The ability to retain such a base of assets will be dependent upon the ongoing efficacy of CWA's investment advisory services platform, the ability of the investment managers, mutual funds, and exchange traded funds to generate adequate returns to keep clients assets from transferring elsewhere and the ability of CWA to attract and retain clientele. Clients should understand that in addition to the normal market risk associated with a securities investment in the pooled investment platform; those clients who invested in DCFH also depend upon client and third party assets staying with CWA. Thus, such clients' losses can be compounded in an environment where investment losses cause net outflows from the CWA investment advisory services platform. In a situation where a CWA client is acting as a trustee under ERISA definitions for their pension plan and is an investor in this partnership the investment fees generated by those ERISA investment assets will not be retained by FMR for services rendered. This investment opportunity was presented to clients through a confidential private offering memorandum which included risk disclosures, and approximately 18.77% of clients are investors. Investors in this partnership should understand that this investment is not liquid and liquidation cannot occur except at times specified in offering memorandum. An independent annual audit is performed on Dental Community Financial Holdings, Ltd.

Moreover, there is an inherent conflict in that the clients' ability to receive and sustain investment returns in DCFH may require the client to leave assets in the platform where there may be better investment alternatives available. In other words, if the client withdraws assets from the investment platform then it is possible that returns from an investment in DCFH may be negatively impacted. This conflict does not occur where a CWA client is defined as ERISA trustee for their firm's pension plan and is an investor in this partnership as the ERISA investment assets and related fees will not be retained by FMR for services rendered.

**III to I Maritime Partners Cayman I, LP** – is a limited partnership organized under the laws of the Cayman Islands for the primary purpose of acquiring, managing and operating vessels, including anchor handling tug supply vessels, tankers and other niche market specialty vessels, through an investment in I-A Suresh Capital Maritime Partners Limited (I-A SCMP), its wholly owned subsidiary. This partnership has been presented to clients through a confidential private offering memorandum with risk disclosures. Investors in this partnership should understand that this investment is not liquid and liquidation cannot occur. The Class A units in the Fund were registered with the Securities and Exchange Commission (SEC) on April 30, 2009, which registration became effective 60 calendar days thereafter, at which point the Fund began filing quarterly and annual reports, and other necessary disclosures, with the SEC.

Approximately 35% of clients are investors. An independent audit is performed on III to I Maritime Partners Cayman I, LP.

**III to I International Maritime Solutions Cayman, Inc.** – General Partner of III to I Maritime Partners Cayman I, LP; there is no CWA client investment in this entity. This entity is wholly owned by III to I IMS Holding, LLC. There is a conflict in that this company is the General Partner of the III to I Maritime Partners Cayman I, LP and CWA clients may be advised to invest in this partnership. Gary V. Moore is on the Board of Directors of the General Partner of the partnership, III to I International Maritime Solutions Cayman, Inc., and serves on its audit committee. Mr. Moore is also General Manager and Chief Compliance Officer of CWA. Messrs. Cain and Watters are on the Board of Directors as well, and Mr. Watters serves on the audit committee, but does not receive board fees for his services.

**III to I IMS Holdings, LLC** – Limited Liability Company formed to manage investment partnerships. Currently manages III to I Maritime Partners Cayman I, LP. Messrs. Cain and Watters are managing members and/or investors in this company and have an economic interest in the company. There is conflict in that this company is the owner of the General Partner of III to I Maritime Partners Cayman I, LP and CWA clients may have been advised to invest in this partnership.

**Dental Community Holdings, Inc.** – General Partner of Dental Community Financial Holdings, Ltd. Messrs. Cain and Watters do not receive an economic benefit from this entity. There is no CWA client investment in this entity.

**Shrooms, LLC** - Limited Liability Company formed by certain managing members to invest in real estate, shipping and other opportunities. There is no CWA client investment in this entity.

**Best New Patients, LLC** – Steve Cain owns 40% interest in this company that is in the business of assisting dentists in the marketing of dental services of their practice. Messrs. Cain and Watters each own 10% and 40% is owned by Productive Dentist academy. Productive Dentist Academy is not affiliated with CWA but is affiliated with a client of CWA. Best New Patients may market its services to clients of CWA.

**Family Legacy Trust Company** – organized as an association in the state of Texas, and a wholly owned subsidiary of Dental Community Financial Holdings, Ltd (DCFH), a limited partnership organized under the laws of Texas. DCFH was created for the purpose of acquiring equity in or making loans to organizations that will provide services to clients of CWA, an affiliate of DCFH. The general partner of DCFH is Dental Community Holdings, Inc., a Texas corporation which is owned equally by Messrs. Cain and Watters. FLTC has an agreement with CWA to provide services to CWA's clients (fees to be paid by CWA on a per client basis) and will also provide such services to other customers. The company is a Texas State Chartered Trust Company and provides traditional fiduciary services, estate and gift tax planning services, transfer tax consultation and compliance services, and sponsors an investment fund. Messrs. Cain and Watters do not receive an economic benefit from this entity, but Mr. Cain serves as a board member and as the Chief Investment Officer.

**FLTC Fund I** – Family Legacy Trust Company has established this fund to invest in alternative investment asset classes for qualified pension assets such as shipping, real estate, energy and other industries through a private offering memorandum. CWA clients should completely read and understand the private offering memorandum and related risk of investment. CWA and its advisors cannot due to

regulatory restrictions recommend or advise a CWA client to invest in this Fund. CWA clients should seek the advice of an independent advisor to evaluate this investment opportunity if considered necessary. Investors in this fund should understand that this investment is not liquid and liquidation cannot occur except at times specified in offering memorandum.

The referral arrangements we have with affiliated entities do present a conflict of interest. We are separately compensated if clients use our affiliates' services. While we believe that the compensation charged by our affiliates is competitive, the fees charged may be higher than other firms that provide similar services. Clients are not required to use our affiliates' services and may contract with other providers.

### **Description of Our Code of Ethics**

CWA has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes CWA's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of CWA's Code of Ethics is available upon request to the Chief Compliance Officer at CWA's principal office address on the cover of this brochure.

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

Clients of CWA, may be solicited to invest in real estate or other ventures in which CWA, its related entities, related persons, and Messrs. Cain and Watters may act in one or more of the following capacities, (i) managing members, (ii) general partners, (iii) limited partners, (iv) service providers, or (v) investors of these investment vehicles. In addition, CWA, or its related persons may provide accounting, tax and other consulting services to such investment entities and may be compensated for providing such services to these entities. However, CWA clients and prospective CWA clients should understand there is an inherent conflict of interest in that Messrs. Cain and Watters, CWA and its related persons may have an ownership, controlling, beneficial, or managerial interest in the aforementioned entities, and may provide services to these entities for which they may be compensated. In addition, CWA clients should understand there may be other investment alternatives available free of this conflict of interest. As such, careful consideration should be applied as to how such an investment compares against other investments of similar composition and risk, how such an investment fits with your overall investment strategy, investment policy statement, and asset allocation.

### **Personal Trading Practices**

At times CWA and/or its Associated Persons may take positions in the same securities as clients, which may pose a conflict of interest with clients. CWA and its Associated Persons will generally be "last in"

and “last out” for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### **Review of Accounts**

Clients that have signed up for ongoing services are typically provided with periodic reviews of their investment accounts and a review of the overall financial objectives and situation. Annual reviews are held in CWA’s office with clients for a complete review of their financial situation. Other items that may trigger a more frequent review of the client portfolios are changes in cyclical or market conditions and sudden changes in the client’s financial situation. Each client is assigned a financial planning team, headed by an adviser that oversees the preparation of all reports, performs specific client reviews and is the primary contact with the client.

The reviews described above are conducted by the CWA financial planner/investment adviser representative assigned to the client. The financial planner/investment adviser representative is subject to the general authority of the Chief Compliance officer, the Investment Committee, Partner in Charge of Operations and Managing Partner. Reviewers also are responsible for ensuring that any significant change in a client’s investment strategy or concentration of a client’s assets in a speculative or risky asset class is appropriate for, and has been reviewed with, the client.

Clients are provided an annual performance review of each of their accounts at the time of the annual monitoring meeting. Custodians for the assets provide quarterly statements directly to the client. More frequent reports may be requested by the client.

### **Client Referrals and Other Compensation**

CWA does not receive economic benefits from unaffiliated third parties for providing investment advice or other advisory services to clients. CWA, through its related persons and entities, does indirectly participate in client referral arrangements. The conflicts of interest and specifics of these arrangements are fully described in Item 11, Participation or Interest in Client Transactions.

CWA does not directly or indirectly compensate any person or entity for client referrals.

### **Financial Information**

CWA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Additionally, CWA does not have discretionary authority or custody of client funds or securities. Therefore, CWA is not required to present a balance sheet.

Related persons to CWA act as General Partners to III to I Maritime Partners Cayman I, LP, III to I Emerging Market Partners Real Estate Investment Fund I, LP and Dental Community Financial Holdings, Ltd. CWA is deemed to have custody over these partnerships because of the relationship between CWA and the General Partners to the partnerships. Please refer to Item 10 - Other Financial Industry Activities and Affiliations for further information about these partnerships.

The General Partners to the partnerships provide each investor in the partnerships with audited financial statements on an annual basis. Therefore, CWA is not required to present a balance sheet.

CWA does not have reportable financial disclosures – disclosures in which CWA’s financial condition would impair CWA’s ability to meet contractual commitments to clients.

**Requirements for State-Registered Advisors - Item 10**

**This section is intentionally left blank- Our Firm is SEC registered**

**Miscellaneous**

**Class Action Lawsuits**

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. CWA has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It 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, the Firm 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 the Firm 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 the Client has authorized contact in this manner.