

Part 2A of Form ADV: *Firm Brochure*

**Stephan Tow & Associates Insurance Services, Inc.
DBA Tow Financial Advisors**

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This brochure provides information about the qualifications and business practices of Tow Financial Advisors. If you have any questions about the contents of this brochure, please contact us at 818.906.9301 or stow@tfainvest.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Tow Financial Advisors also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 134453.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/29/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 Advisory Business

Stephan Tow & Associates Insurance Services, Inc. DBA Tow Financial Advisors is an SEC-registered investment adviser with its principal place of business located in CA. Stephan Tow & Associates Insurance Services, Inc. DBA Tow Financial Advisors began conducting business in 2005.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

☐ Stephan Earl Tow, President

Tow Financial Advisors offers the following advisory services to our clients:

INDIVIDUAL PORTFOLIO MANAGEMENT

We provide continuous asset management of client portfolios based on their individual needs. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop their personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated risk tolerance (i.e., aggressive, moderately aggressive, balanced, conservative, or income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Once the client's portfolio has been established, we review the portfolio regularly, and if necessary, rebalance the portfolio, based on the client's individual needs and economic and market circumstances.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following types of securities:

- ☐ Exchange-listed securities
- ☐ Foreign issuers
- ☐ Corporate debt securities (other than commercial paper)
- ☐ Municipal securities
- ☐ Mutual fund shares
- ☐ United States government securities

While rare, we sometimes give advice regarding the following additional types of securities:

- ☐ Securities traded over-the-counter
- ☐ Warrants
- ☐ Commercial paper
- ☐ Certificates of deposit
- ☐ Variable life insurance
- ☐ Variable annuities
- ☐ Options contracts on securities
- ☐ Options contracts on commodities
- ☐ Interests in partnerships investing in real estate
- ☐ Interests in partnerships investing trading in debt or equity

Occasionally, we recommend placing a portion of client assets in a subadvised, separately managed account in lieu of a mutual fund. In this case, we monitor the subadvisor in the same way we monitor mutual fund managers.

Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

PENSION CONSULTING SERVICES

The primary clients for these services are pension, profit sharing and 401(k) plans. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

Investment Policy Statement Preparation (hereinafter referred to as "IPS"):
We assist the plan sponsor with preparation of a written IPS defining investment objectives and parameters and detailing criteria for selection of investment options as well as procedures for and frequency of the monitoring of these investment options.

Selection of Investment Options:

We review available investment options (both indexed and managed) to determine which options are most appropriate to implement the client's IPS.

Monitoring of Investment Options:

We monitor investments on an ongoing basis and based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm

is not involved in any way in the purchase or sale of these investments, we make recommendations to the client as market factors and the client's needs dictate.

Employee Communications:

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide periodic educational support designed for the plan participants. The nature of the topics that are covered are determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support does NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

CONSULTING SERVICES

Clients can also receive investment advice from us on a more focused basis. This may include advice on an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client. Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

AMOUNT OF MANAGED ASSETS

As of 12/31/2010, we were actively managing \$52,136,879.00 of clients' assets on a discretionary basis and \$35,000,000 of clients' assets on a non-discretionary basis.

Item 5 Fees and Compensation

PORTFOLIO MANAGEMENT SERVICES FEES

Our annual fees for Portfolio Management Services are based upon a percentage of assets under management and generally range from **0.75%** to **1.00%**. A minimum of **\$1,000,000** of assets under management is required for this service. This account size may be negotiable under certain circumstances. We typically group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

ADVISORY ACCOUNT FEE SCHEDULE (including no-load annuities)

<u>Assets Under Management</u>	<u>Equity/Balanced</u>	<u>Annual Fee (%)*</u>
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\$0 to \$5,000,000		1.00%
\$5,000,001 to		
\$10,000,000		0.75%
\$10,000,001 plus		0.50%

Minimum fee is \$10,000/Yr*

<u>Assets Under Management</u>	<u>Income</u>	<u>Annual Fee (%)*</u>
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\$0 to \$5,000,000		0.35%
\$5,000,001 to		
\$10,000,000		0.25%
\$10,000,001 plus		0.15%

Minimum fee is \$7,000/Yr*

CASH MANAGEMENT FEE SCHEDULE

<u>Assets Under Management</u>	<u>Annual Fee (%)*</u>
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\$0 to \$25,000,000	0.15%
\$25,000,001 to	
\$50,000,000	0.10%
\$50,000,001 plus	0.05%

INSURANCE CONTRACT FEE SCHEDULE

<u>Contract Face Amount</u>	<u>Annual Fee (%)*</u>
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\$0 to \$5,000,000	0.50%
\$5,000,001 to	
\$10,000,000	0.37%
\$10,000,001 plus	0.25%

PENSION CONSULTING FEES

Our fees for Pension Consulting Services are typically based on a percentage of assets under advisement, according to the following schedule:

<u>Plan Assets</u>	<u>Annual Fee (%)*</u>
\$0 to \$5,000,000	0.50%
\$5,000,001 to \$35,000,000	0.35%
\$35,000,001 to \$50,000,000	0.25%
\$50,000,001 plus	0.15%

Additionally, we have the ability to charge for Pension Consulting Services as a fixed project fee, or on an hourly basis if either of these methods are more appropriate for the client.

For most plans, our fees are collected from the plan and paid to us by the recordkeeper on a quarterly basis in the form of advisory fees. Certain plan sponsors may be invoiced in arrears at the end of each calendar quarter.

Total plan assets of \$2,000,000 is required. This minimum account size may prevent Tow Financial Advisors from providing services to very small ERISA plans.

CONSULTING SERVICES FEES

Tow Financial Advisors' Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client. Our Consulting Services fees are calculated and charged on a fixed fee basis or as a percentage of assets that are being advised on, typically ranging from .25% to .35%, subject to the specific arrangement reached with the client. The client is typically billed in arrears on a quarterly or monthly basis as earned.

GENERAL INFORMATION

Limited Negotiability of Advisory Fees: Although we have established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in our contract with each client. Discounts not generally available to our advisory clients may be offered to family members and friends of associated persons of our firm.

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days' written notice. The 30 day period may be waived at our discretion. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we prorate the reimbursement according to the number of days remaining in the billing period.

Mutual Fund/ETF/Separately Managed Account Fees: All fees paid to Tow Financial Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs and/or Separately Managed Accounts (SMAs) to their share-holders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. It is our goal that the aggregate fee charged by both Tow Financial Advisors and the selected mutual funds and/or ETFs and/or SMAs will not exceed 3% of the client's assets under management. A client could invest in a mutual fund/ETF/SMA directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund(s)/ETF(s)/SMA(s) are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the mutual fund(s)/ETF(s)/SMA(s) and our fees to fully understand the total amount of fees they are paying and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: In addition to our advisory fees, clients are responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Grandfathering of Minimum Account Requirements:

Pre-existing advisory clients are subject to Tow Financial Advisors' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

ERISA Accounts: Tow Financial Advisors is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and

obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. Tow Financial Advisors does not receive any commissions or 12b-1 fees.

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

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

Limitations (Insurance): Tow Financial Advisors is also a licensed California Insurance Agency. Stephan Tow, in his individual capacity, is an agent for Stephan Tow & Associates Insurance Services, Inc. Advisory recommendations of Tow Financial Advisors may include insurance products offered by various insurance companies. As such, Stephan Tow will be able to receive separate, yet customary commission compensation resulting from implementing insurance product transactions on behalf of advisory clients.

Item 6 Performance-Based Fees

Tow Financial Advisors does not charge performance-based fees.

Item 7 Types of Clients

Tow Financial Advisors provides advisory services to the following types of clients:

- ☐ Individuals (other than high net worth individuals)
- ☐ High net worth individuals
- ☐ Pension and profit sharing plans (other than plan participants)
- ☐ Charitable organizations
- ☐ Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain minimum account requirements to maintain an account, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and managing client assets:

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

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of an asset class, sector, industry or security.

Technical Analysis includes ***Charting***. In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Mutual Fund and/or ETF and/or Separately Managed Account Analysis. We look at the experience and track record of the manager of the mutual fund/ETF/ Separately Managed Account (SMA) in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions.

We also look at the underlying assets in a mutual fund/ETF/SMA in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds/ETFs/SMAs in an attempt to determine if they are continuing to follow their stated investment strategy. Additionally, in the case of SMAs, as part of our due-diligence process we survey the manager's compliance and business enterprise risks. A risk of mutual fund and/or ETF and/or SMA analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund/ETF/SMA,

managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund/ETF/SMA, which could make the holding(s) less suitable for the client's portfolio. An additional risk in the case of SMAs is that, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Risks for all forms of analysis. Our analysis methods rely on the assumption that the economic and market data we obtain, as well as other publicly-available sources of information, are accurate and unbiased. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts:

Strategic Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of strategic asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Tactical Asset Allocation. Similar to strategic asset allocation, tactical allocation seeks an optimal mix or asset class exposure for the portfolio. However, unlike strategic allocation, tactical allocation is dependent on the current environment rather than decades-long market expectations. Generally, tactical portfolio positions are expected to be held for at least 12 months. A key factor in tactical allocation is risk-adjusted investing, whereby a desired market exposure is chosen for its mix of both return potential and reduced volatility. A risk of tactical asset allocation is that the portfolio manager could be wrong and the asset classes that are favored by the manager underperform.

Long-term purchases. We purchase securities with the intention of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- ☐ we believe the securities to be currently undervalued, and/or
- ☐ we want exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are

incorrect, a security may decline sharply in value before we make the decision to sell.

Absolute Return. Recognizing that significant market movements take place in timeframes shorter than 12 months, absolute return strategies are used to gain exposure to shorter term market movements. Due to the varying nature of these strategies, broad diversification amongst them is necessary. Strategies include, but aren't limited to merger arbitrage, convertible arbitrage, interest rate/currency arbitrage, global macro, equity long/short, equity market neutral, managed futures, and multi-strategy. A risk in absolute return is that their risk and return movements frequently vary from those of traditional markets. Therefore, in a strong upward market they may lag. Additionally, because managers have broad latitude in executing their strategies, the risk of poor manager performance is magnified.

Risk of Loss. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

Item 9 Disciplinary Information

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

Item 10 Other Financial Industry Activities and Affiliations

Stephan Tow and Paul Sanford are separately licensed as registered representatives of M Holdings Securities, an affiliated FINRA member broker-dealer. While this is not their practice, these individuals, in their separate capacity, are able to effect securities transactions for which they could receive separate, yet customary compensation. While Tow Financial Advisors and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the potential for receipt of additional compensation itself creates a potential conflict of interest, and could affect the judgment of these individuals when making recommendations.

Stephan Tow, in his individual capacity, is an agent for various insurance companies. As such, he is able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage him when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by Tow Financial Advisors and its management persons or employees creates a potential conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. We take the following steps to address this conflict:

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

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

We have adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

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

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

also provides for oversight, enforcement and recordkeeping provisions. Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

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

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as Representatives of M Holdings Securities. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to stow@tfainvest.com, or by calling us at 818.906.9301.

Item 12 Brokerage Practices

As we do not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct us as to the broker-dealer to be used. We request that clients direct us to place trades through Schwab Institutional. We have evaluated Schwab Institutional and believe that it provides our clients with a blend of execution services, commission costs and professionalism that will assist us in meeting our fiduciary obligation to clients.

At our discretion, we may accept the use of a broker other than Schwab Institutional. However, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than Schwab Institutional if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account.

In directing the use of Schwab Institutional, it should be understood that Tow Financial Advisors will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients who may direct the use of another broker. Clients should note, while we have a reasonable belief that Schwab Institutional is able to obtain best execution and competitive prices, we will not be independently seeking best execution price capability through other brokers. Not all advisers require clients to direct it to use a particular broker-dealer.

As a matter of policy and practice, Tow Financial Advisors does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before

others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades. We may aggregate mutual fund trades if by doing so we can gain access to an institutional share class otherwise not available due to minimum purchase requirements.

As noted above, we request that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we request that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Tow Financial Advisors is independently owned and operated and not affiliated with Schwab. Schwab provides Tow Financial Advisors with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Institutional also makes available to our firm other products and services that benefit Tow Financial Advisors but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and

iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Tow Financial Advisors. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Item 13 Review of Accounts

PORTFOLIO MANAGEMENT SERVICES

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Stephan Tow (CEO), Paul Sanford (CIO) and Marni Hodder (COO).

REPORTS: In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

PENSION CONSULTING SERVICES

REVIEWS: We review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan.

We also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: Stephan Tow (CEO), Paul Sanford (CIO) and Marni Hodder (COO).

REPORTS: We provide reports to Pension Consulting Services clients based on the terms set forth in the client's Investment Policy Statement (IPS).

Item 14 Client Referrals and Other Compensation

CLIENT REFERRALS

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- ☐ the Solicitor's name and relationship with our firm;
- ☐ the fact that the Solicitor is being paid a referral fee;
- ☐ the amount of the fee; and
- ☐ whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral. It is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

Item 16 Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Our discretionary authority includes the ability to do the following without contacting the client:

- ☐ determine the security to buy or sell; and/or
- ☐ determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for:

- (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted
- (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations.

We have no additional financial circumstances to report. Tow Financial Advisors has not been the subject of a bankruptcy petition at any time during the past ten years.