



THE FINANCIAL FAMILY OFFICE™

**Part 2A of Form ADV The Brochure**

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This Brochure provides information about the qualifications and business practices of Convergent Wealth Advisors, LLC ("Convergent"). If you have any questions about the contents of this Brochure, please contact Convergent's Compliance Department at (301) 770-6300 or [Compliance@Convergentwealth.com](mailto:Compliance@Convergentwealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Convergent is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about Convergent also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

This Brochure contains information about Convergent and the following material changes have occurred since its most recent filing with the SEC in March 2015.

- Effective January 19, 2016, Convergent Wealth Advisors appointed Janice M. Powell as Chief Compliance Officer (CCO) for the firm. David Elliott will continue in his role as Chief Financial Officer.

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## **Item 4 Advisory Business**

### **Firm History and Principal Owners**

Convergent is a majority owned subsidiary of Convergent Capital Management LLC, which is in turn wholly owned by RBC USA Holdco (NYSE:RBC), the parent company of City National Bank, a private and business bank based in California. Convergent's senior management team maintains a minority ownership position in the company. Convergent is headquartered outside of Washington, DC, with offices in Los Angeles, New York, and Portland (OR).

Convergent began as CMS Financial Services ("CMS") in 1994, when Steven Lockshin and a handful of professionals formalized the investment consulting services they had been providing to a single high net worth family since 1990. 1<sup>st</sup> Virtual Holdings, a privately held financial services firm, acquired CMS in 2001. 1<sup>st</sup> Virtual changed its name to Lydian Trust Company in 2002, and CMS followed by changing its name to Lydian Wealth Management in early 2003. As of May 2007, Convergent Capital Management purchased the wealth management division of Lydian Wealth Management, rebranding it as Convergent.

### **Investment Advisory Services to Individuals, Families, and Institutions**

Convergent provides investment advisory services on a discretionary and/or non-discretionary basis to each of its clients, including both individuals and institutions (details on the types of clients Convergent serves are in Item 7-Types of Clients). Convergent will assist a client in determining the client's investment needs and objectives, as well as risk tolerance through the use of an asset optimization model for asset allocation and research on investment managers and investments. After the client's asset classes have been determined, the Advisory team recommends managers and/or products that have been evaluated by the Investment Strategy Group ("ISG"), Convergent's research group.

The recommended strategies are based upon a client's goals, investment objectives, risk tolerance, and cash flow needs, which are documented in an Investment Policy Statement and reviewed periodically. Convergent will then implement the allocation into appropriate mutual funds, ETFs, private investment funds (including private equity funds), and/or investment managers within each asset class that meet the client's individual requirements. Convergent does not recommend individual company stocks and bonds.

In addition to its full consulting offering, Convergent also provides financial planning services, including providing independent guidance during the planning of upcoming liquidity events. Financial Planning includes estate planning, tax planning, education funding planning, charitable gifting planning, etc., however, Convergent will provide advice as appropriate and may not provide advice on all of the aforementioned types of financial planning.

Convergent emphasizes the unrestricted right of clients to decline any investment recommendation by Convergent. Clients may also request that Convergent refrain from recommending affiliated private investment funds to them.

## Service Team

Each client is assigned to an Advisory team, which is involved in every stage of the investment consulting process through the life of the client relationship. Each team includes a Client Relationship Manager, members of the advisor team, and operations support. The Advisory teams work together, along with ISG, under the purview of the Investment Committee (“IC”), to provide the client investment advisory services. ISG’s recommendations generally are subject to the approval or oversight of the IC. The Advisory team is primarily responsible for making all portfolio recommendations or decisions on behalf of its clients. However, in certain circumstances, ISG and/or IC recommendations, such as manager terminations, are applicable to all clients and will be implemented for all clients for whom the recommendation is appropriate through a Convergent implementation plan, as described in **Item 16-Investment Discretion**.

Convergent may also provide clients periodic investment-related white papers, research reports, and articles related to asset allocation and investment policy development without a charge as a part of its consulting services.

Once the Advisory team and the client develop a portfolio for the client and it is implemented, the portfolio will be monitored by Convergent and, when necessary and appropriate, Convergent will recommend subsequent modifications to a client’s asset allocation or to specific mutual funds, ETFs, private investment funds, and/or investment managers in accordance with the investment goals and objectives established by the client. Each client will be provided the opportunity to place reasonable restrictions on the types of investments that may be recommended by Convergent. With respect to mutual funds, ETFs, and private investment funds, Convergent cannot influence the holdings of the mutual fund, ETF, or private investment fund by providing a restricted list of securities. Mutual funds, ETFs, and private investment funds are pooled vehicles that run under their own guidelines for investment. Client restrictions will not apply to the underlying securities held by mutual funds, ETFs, and private investment funds, therefore clients may get exposure to securities that are prohibited by their individual investment policy statement. Convergent generally does not provide specific advice regarding individual stocks or bonds; however, on occasion, Convergent performs analyses of individual portfolios where concentrated, low-tax-cost-basis individual stock positions exist in taxable portfolios. In those analyses and similar circumstances, Convergent may advise clients on individual equity and debt holdings.

Convergent will monitor the performance of mutual funds, ETFs, private investment funds, and/or investment managers recommended or invested in by Convergent. Convergent may use third-party analytical and rebalancing software to facilitate management of certain accounts.

In certain cases a client may have a pre-existing relationship with a manager, pre-existing investment, or request information or an opinion related to a manager not sourced by Convergent in a private investment vehicle, mutual fund, ETF, or other fund product. In those cases, the Advisory team would make recommendations to the client, depending on the client’s preferences, financial objectives, tax consequences, or other reasons, to invest in ISG-recommended mutual funds, ETFs, private investment funds, and/or investment managers, allocate around the client’s current managers and holdings, monitor the client’s current manager’s performance on an ongoing basis, and/or consider the pre-existing

investments as non-managed assets, as documented in the investment advisory agreement or investment policy statement. Non-managed assets are contained within the Account and/or reflected on reports as an accommodation only, and Convergent's services do not include investment management, review, valuation or monitoring services, nor investment recommendations or advice relative to any of these assets. As such, Client, and not Convergent, shall be exclusively responsible for these assets. Client will not be billed on Non-Managed Assets. If Client desires that Convergent provide investment management services with respect to any Non-Managed Assets, Client may engage Convergent to do so for a separate and additional fee.

For non-discretionary clients, the same process will occur as outlined above, except clients must approve the initial implementation and all subsequent changes to the asset allocation. Non-discretionary clients may forego a particular transaction, or a particular transaction may be delayed if Convergent cannot obtain that consent. For its non-discretionary clients, Convergent may, without specific approval by the client, purchase or sell securities to meet the cash needs of the client. These purchases and sales will be executed in a manner such that the resulting allocations will generally match the allocation in the account prior to the purchase or sale.

Convergent reviews and retains Part 2A and 2B of Form ADV on behalf of clients for the managers it recommends. Please notify [Compliance@convergentwealth.com](mailto:Compliance@convergentwealth.com) if you would like a copy of any Part 2A and 2B of Form ADV for any investment manager Convergent recommends.

Convergent currently manages or advises numerous advisory accounts and these accounts may have or will have investment objectives identical or substantially similar to other accounts. For Ultra-High Net Worth and Institutional clients, it is not anticipated that accounts having identical or substantially similar investment objectives will have identical or substantially similar investment portfolios. Differing investment portfolios can be expected as the result of several factors, including, without limitation, the following: different investment decisions made by the different Advisory teams assigned to the clients; regulatory constraints that apply to certain accounts but not to others; investment constraints imposed by the client; and the amount of cash available for investment at certain times. As a result of factors such as these, accounts may have a different investment portfolio (and, as a result, different performance results) from other accounts even though the accounts have identical or substantially similar investment objectives. Advisory teams are authorized to invest the assets of accounts for which they have investment responsibility in a wide range of underlying investments. In addition, there may be circumstances when one account will sell a security while another account may purchase the security on the same day.

Among the assets to which Convergent provides its continuous and regular investment supervisory or management services are assets held by clients in their 401(k) accounts with various mutual fund companies. Because Convergent will be responsible for effecting the transactions in these accounts, it will request the client's user name and password permitting online access to the account. Convergent has adopted appropriate physical and procedural safeguards to control access to the user names and passwords it obtains.

As part of its wealth management services, Convergent may advise clients on aspects of purchasing a private placement life insurance contract or a private placement annuity contract. Clients that decide to purchase such a contract would do so with the assistance of their insurance broker through a licensed

insurance company. Convergent is an investment sub-advisor for certain funds that may be investment options available to the client within such a contract. (See below for a description of the private investment funds.)

Certain clients request assistance with implementing options or futures strategies designed to hedge their portfolios. Upon request, Convergent may refer clients to a registered broker-dealer to assist with implementing hedges or may implement hedges in accordance with the client's consent. Furthermore, Convergent may employ/recommend hedging strategies in all client accounts. The implementation of a hedging strategy does not guarantee or promise returns and the investment may still lose value.

### **Services Provided to Clients of AdvicePeriod**

In 2014, Steven Lockshin founded AdvicePeriod, an SEC registered investment adviser focused on providing wealth management solutions for ultra-high net worth clients. Mr. Lockshin continues as a client advisor. Certain Convergent clients have elected to become clients of AdvicePeriod and AdvicePeriod compensates Convergent for those clients for a period of time. Convergent has a non-material ownership interest in AdvicePeriod.

Convergent provides limited investment advisory services to AdvicePeriod clients, including investment research, recommendations, and implementation. AdvicePeriod, however, retains the responsibility to evaluate and provide ongoing monitoring of a client's goals, investment objectives, risk tolerance, and cash flow needs. Accordingly, Convergent receives these objectives and constraints from AdvicePeriod. If a client wishes to impose restrictions on its account, it should notify AdvicePeriod.

### **Professional Service Providers**

As a courtesy to clients, Convergent may introduce clients to other investment and non-investment related service providers/professionals, such as accountants, attorneys, insurance providers, other luxury service providers, etc. Convergent does not receive any financial or economic benefit in exchange for these referrals. The client is under no obligation to engage the services of any such introduced professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any introduction or recommendation from Convergent. Although Convergent may have experience with these service providers, Convergent has not performed due diligence on these service providers and is not responsible for the services provided by these services providers and/or professionals. Convergent is not responsible for any losses caused by the actions of any third party recommended by Convergent, including, without limitation, any accounting or legal professional services. Convergent cannot offer tax advice or replace the services provided by licensed CPAs or attorneys. Convergent advises the client to contact individual tax consultants or legal advisors for additional information.

### **Investment Advice to Affiliated Private Investment Funds**

Convergent is affiliated with two proprietary private investment funds: the Windermere Jupiter Fund, LLC (multiple series) and CMS Strategies/Barlow Long-Short Equity Fund, LLC (together, the "Affiliated Private Investment Funds"). These funds are overseen by independent Boards of Trustees.

### Windermere Jupiter Fund, LLC

Convergent is the managing member and investment adviser to the Windermere Jupiter Fund, LLC. The Windermere Jupiter Fund, LLC is a multiple series limited liability company consisting of separate and distinct investment portfolios: the Windermere Opportunistic Fund Series (formerly Windermere Jupiter Fund) a multi-strategy fund-of-funds, the Windermere Equity Fund Series, a long biased fund of funds, and Jupiter Plus Fund Series which is liquidating.

### CMS Strategies/Barlow Long-Short Equity Fund, LLC

Convergent is the administrative member of and investment adviser to CMS Strategies/Barlow Long-Short Equity Fund, LLC. This fund began liquidating on 12-31-2013 and distributed 99% of the fund's assets in February 2014. As of January 1, 2016, there were two small underlying positions in the fund.

### Eligibility

Investors must meet the definition of "accredited investor" and/or "qualified purchaser" to invest in these funds, except with respect to private investment funds that assess an incentive fee, in which case the client must meet the qualified client requirements of Rule 205-3 under the Investment Advisers Act of 1940.

### Offer

Nothing herein constitutes or shall be deemed to constitute an offer to sell or the solicitation of an offer to purchase limited partnership interests. Such an offer may be made only by means of the private placement memorandum (or other similar documentation) and only to the person to whom such memorandum is actually delivered.

### Investment Advice to Affiliates and Other Investment Advisers

Convergent also provides asset allocation and manager search and selection advice to certain of its affiliates and other unaffiliated investment advisers as part of its open architecture business. In addition, Convergent will provide support, training, and collateral material creation, among other services. These Affiliates will compensate Convergent for these services. Additional information about Convergent's business relationship with City National Bank is in Item 10-Other Financial Industry Activities and Affiliations.

Convergent has adopted policies and procedures to mitigate reasonably any conflicts of interest relating to the timing of its recommendations provided to its core advisory clients versus other registered investment advisers.



## Assets Under Management

Convergent's Regulatory Assets Under Management are below as of December 31, 2015:

Regulatory Assets Under Management: \$4,693,448,498

Discretionary: \$3,148,133,193

Non-Discretionary: \$1,545,315,305

## Item 5 Fees and Compensation

### Fees

Fees for clients may be either: (a) an asset-based fee, (b) a fixed annual retainer fee, or (c) a fixed dollar fee for a stated project.

### Asset-Based Fees

For asset-based fee clients, the annual fee for Convergent's investment management services, based on the market value of the client's account at the beginning of the calendar quarter, is as follows:

### Fee Schedule

First \$10 million – 100 basis  
points Next \$15 million – 50 basis  
points Next \$25 million – 40 basis  
points Thereafter – 30 basis points

Fees may vary from client to client based on numerous factors, such as the complexity of the client's portfolio, the level of expertise required to service the account, the staff time involved in servicing the account and the potential value added to the client for the services to be provided, or other factors. Moreover, fee minimums and account minimums may vary as a result of prior fee schedules depending on client inception date or on the basis of a waiver. Convergent may waive its investment advisory fee at any time when it deems it appropriate and/or necessary. Related client accounts may be aggregated for purposes of calculating fees. Convergent may charge additional fees for monitoring managers in client portfolios (**See Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**).

If clients make contributions during the quarter, Convergent reserves the right to bill the client for a pro-rata portion of the contributed assets to the investment account. Clients may be provided with a pro-rata refund when clients withdraw funds from the investment account during a calendar quarter. Any fixed fees adjusted by the CPI will be increased by CPI as defined by All Urban Consumers – US All Items 1982-84=100 CPI Index percent change over the previous 12 months.

## Fixed Annual Retainer Fees

Fixed annual retainer fees range from \$100,000 and up, but certain clients may have lower retainer fees than

\$100,000 per annum. These fees are at the sole discretion of management.

## Project Fees

Project fees generally start at \$50,000, though some projects may have lower fees based on the scope of the project. These fees are at the sole discretion of management. Client fees are usually not stated on a project basis unless the project is expected to be completed in six months or less; otherwise, an annual retainer arrangement is employed. A portion of the client's project fee is billed at the commencement of the work. A standard arrangement, which may vary by client depending on the project, is to bill the remaining project fee in quarterly installments until completion of the work, at which any remaining project fees are billed.

## Billing

While most clients pay advisory fees quarterly in advance, certain clients have negotiated to pay their advisory fees in arrears. Occasionally, Convergent may employ monthly billing. Clients may also elect to be billed directly for fees or to authorize Convergent to directly debit fees from client accounts. If a client selects to have fees directly debited, Convergent will withdraw fees quarterly and an invoice will be available to the Client on the online client portal, a periodic performance report, and/or on the Client's custodian statement.

AdvicePeriod clients will be billed by AdvicePeriod. A portion of the advisory fee is remitted to Convergent for the services provided.

## Fees Charged by Custodians, Managers, Mutual Funds, etc.

In addition to Convergent's investment management fees, clients bear trading costs, custodial fees, and other expenses that may be charged by other third parties. Convergent's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment managers, and other third parties, such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Clients should review all fees charged by Convergent and its affiliates, custodians, brokers, and others to fully understand the total amount of fees to be paid. For additional information about brokerage, please see Item 12-Brokerage Practices.

The fees charged by Convergent for investment management services are separate and distinct from the fees charged by recommended mutual funds, exchange traded funds, private investment funds, and investment managers. A description of these mutual fund, private investment fund, and investment manager fees are available in each mutual fund's prospectus, private investment fund's offering

document and/or investment manager's disclosure documents, and each of these products/services can be purchased directly or through an agent or broker, who charges a commission. Such charges, fees, and commissions are exclusive of and in addition to Convergent's fee, and, except for the fees charged by our affiliated funds, Convergent shall not receive any portion of these commissions, fees, and costs. Therefore, clients investing in mutual funds, private investment funds, and with investment managers are essentially paying two or more levels of advisory fees on the same assets.

Other than the private investment funds sponsored by Convergent and/or its affiliates and other fee sharing arrangements described in the Affiliated Private Investment Funds Section below, neither Convergent nor any of its related persons receive any form of compensation from any recommended mutual funds, private investment funds, or investment managers.

### Fees on Affiliated Private Investment Funds

As discussed in greater detail in **Item 4-Advisory Business Section**, Convergent is the managing member of and investment adviser to Windermere Jupiter Fund, LLC, and the administrative member of and investment adviser to CMS Strategies/Barlow Long-Short Equity Fund, LLC. Convergent collects a fee from each of these affiliated funds except CMS/Barlow which does no longer charges a management fee. Convergent charges fees on the Affiliated Private Investment Funds described above in accordance with the fee disclosure in the respective private placement memorandum for each fund.

With respect to the Affiliated Private Investment Funds named immediately above, investors should note that Convergent earns two levels of fees: (i) All or a portion of the investment and/or administrative management fees of the Affiliated Private Investment Funds; and (ii) Convergent's contracted investment management and/or advisory fee. In addition, the fees associated with the funds mentioned above may vary from investor to investor, depending on, among other things, the time of investment, amount of investment, and whether the investor is also a client of Convergent. For ERISA clients, we waive either (i) or (ii) above.

### Termination

A client agreement may be canceled at any time, by either party, for any reason upon 30 days written notice. Certain client agreements specify an advance notice for cancellation by either party of between 30 and 90 days. Upon the effective date of termination of any agreement, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

### Valuation

Convergent does not generally independently value any private securities held in client accounts or in the private investment funds it manages/advises, unless it determines it is necessary given the facts and circumstances. The quarterly financial information provided by the private funds themselves will be used as the basis for client reporting and fee billing (where a client/fund pays an asset-based fee). This valuation is determined independently of Convergent. In certain circumstances (e.g., where the private fund has not provided financial information, the private fund has potentially lost some or all of its value),

Convergent may provide a fair valuation for a certain investment in accordance with its Valuation Policy. The fair valuation methodologies employed by Convergent shall attempt to represent the amount at which an asset could be acquired or sold in a current transaction between willing parties in which the parties each acted knowledgeably, prudently, and without compulsion. Investments in private equity or other illiquid investments will be valued at cost. However, the valuations may be modified by Convergent, in its sole discretion, if and to the extent that it shall determine such modifications are advisable in order to reflect market or liquidity conditions or other factors affecting value.

For marketable securities, the prices provided by custodians are used for client reporting and fee billing.

In some instances, precise account balances are unavailable to Convergent on a timely basis. Billing in those situations is therefore based on the most current information available to Convergent when fees are calculated.

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

Convergent Wealth Advisors does not charge Performance-Based Fees or perform Side-by-Side Management.

## **Item 7 Types of Clients**

Convergent provides portfolio management services to:

- Individuals
- High networth individuals
- Trusts
- Family entities
- Pension and profit-sharing plans
- Corporations
- Charitable institutions
- Foundations
- Universities
- Endowments
- Other U.S. institutions

Convergent also provides advisory services to affiliated and unaffiliated private investment funds. Convergent also provides investment advice to affiliated and non-affiliated investment advisors.

### **Account Minimums**

Convergent manages portfolios starting at \$1,000,000, however, Convergent may make exceptions based on each client's particular circumstances as it deems appropriate. Convergent reserves the right to waive the minimum at any time.

Convergent also provides advisory services to the Affiliated Private Investment Funds. Each Affiliated Private Investment Fund operates as a pooled investment vehicle intended to provide management expertise and other advantages to clients. The minimum capital commitment for a member of each Affiliated Private Investment Fund is outlined in each Affiliated Private Investment Fund's private placement memorandum and other governing documents. However, Convergent maintains discretion to accept less than the minimum investment threshold. In addition, each Affiliated Private Investment Funds may enter into separate agreements, commonly referred to as "side letters," with certain investors to waive certain terms of the LLC agreement or allow such investors to invest on different terms than those specifically described in the offering documents. Under certain circumstances, these agreements could create preferences or priorities for such investors with respect to other members.

Investors will be required to make certain representations when investing in the Affiliated Private Investment Funds, including but not limited to that: (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment, and (iii) they have the ability to bear the economic risk of an investment in the Affiliated Private Investment Funds. Each investor will be furnished with a copy of the private placement memorandum.

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

Convergent provides asset allocation and manager selection advice to clients. Convergent's ISG is responsible for Convergent's investment strategy and manager due diligence and is overseen by the IC. The IC is responsible for overseeing and monitoring various aspects of the investment process and the performance of client investment portfolios, including risk and diversification. The IC is also responsible for, among other things: determining Convergent's overall investment philosophy; analyzing and interpreting changing economic trends as they impact Convergent's investment process and portfolio performance; revising Convergent's investment philosophy and implementation strategies accordingly; and establishing and articulating Convergent's implementation philosophy, including the appropriateness of incorporating various asset classes, sub-asset classes, investment styles, and strategies in client portfolios. The IC meets at least quarterly.

### **Investment Strategies and Asset Allocation**

Convergent recommends or implements various investment strategies when providing asset allocation recommendations and advice to clients. The IC is accountable for reviewing tactical and strategic asset allocation recommendations on a quarterly basis, if appropriate. Convergent will evaluate investment alternatives (i.e., various asset allocations for investment in securities and with investment managers) to form a basis for the client to determine the strategies needed to achieve the client's investment goals and objectives.

### **Manager Due Diligence**

For all Convergent recommended managers or investments, ISG evaluates investment managers, private investment funds, mutual funds, ETFs, among other products and services. Convergent employs a

due diligence process that generally involves, among other things, a review of managers' Form ADVs, past performance, marketing literature, and interviews with the investment managers and key personnel. ISG also considers a broad range of factors that may include investment performance, review of investment process, personnel depth, turnover and experience, operational issues, and financial condition. Periodically, ISG personnel conduct follow-up due diligence reviews on Convergent recommended managers, including some or all of the above mentioned factors, in addition to other topics. In determining which investments are appropriate for recommendation and/or implementation for clients, ISG may also apply quantitative analysis using a factor based scoring system that ranks each investment option utilizing data and information obtained from third party databases. (However, the data and information provided by third party databases are not independently verified by ISG.) The factor-based methodology and the resulting investments derived and approved through this scoring process are reviewed periodically by ISG to evaluate whether they continue to meet ISG's minimum standards for recommendation or should be placed on hold or terminate status. It is important to note that not all managers or products recommended by Convergent are or were evaluated under the current due diligence process or any formalized due diligence process. ISG retains the discretion, based on their experience and knowledge, to determine the level of due diligence appropriate for each manager and/or product. Specific securities analysis methods are determined by the managers of the recommended mutual funds and private investment funds, and the investment managers recommended by Convergent.

ISG's decisions and recommendations are generally reviewed and approved by the IC subject to the terms in Convergent's IC Procedures, however manager terminations and adding ETFs and mutual funds to the firm's Approved List may be determined solely by ISG.

Additional information about investment managers, investment strategies, advisory fees, and other pertinent information is available and provided in the Form ADV Part 2 or other disclosure brochures made available by the investment managers (e.g., offering memorandum, prospectus).

In certain circumstances, Convergent may monitor non-Convergent recommended managers for clients. Convergent will document the managers it is monitoring in the Client's Investment Policy Statement or Investment Advisory Agreement. Depending on the type of investment vehicle, monitoring involves reviews of manager newsletters, marketing materials, and performance, among other things. Convergent may charge an additional fee for monitoring non-Convergent recommended managers.

Retention of managers and/or investment products will be evaluated by ISG and potentially the IC. In the event ISG terminates a manager, the client's Advisor team will make alternative recommendations or implementations for clients taking into consideration the client's tax or other situation. Due diligence on the manager will be conducted for two quarters after the termination. In the event the client does not take the recommendation to terminate the manager, the client is notified and asked to acknowledge that Convergent will no longer conduct due diligence on the manager and will no longer provide any recommendation or advice regarding the manager.

## **Sources of Information**

As discussed above, Convergent employs a due diligence process to evaluate managers and

investment products. In addition to information directly requested from managers, Convergent will use published databases of mutual funds and investment manager performance or third party databases. Some of the information provided in these third party databases is sourced from Form ADV, monthly performance returns, manager's assets under management, narratives on the manager's investment process, biographies on portfolio managers, changes in personnel, information on managers' errors and omissions insurance, and litigation. Convergent does not independently audit or verify the performance figures or other information reported by the funds or managers that appear in these databases.

## Risks

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is no guarantee of future performance. Each investment is speculative and entails substantial risks. Market risks are inherent in all securities to varying degrees; therefore, no assurance can be given that the investment objectives will be realized.

Convergent recommends or implements various strategies through asset allocation recommendations and manager selection. From time to time, Convergent adjusts the allocations to each strategy based on a variety of factors, including the strategy's relative performance. Accordingly, a client's performance is affected by Convergent's decisions concerning how much of the client's portfolio it allocates for management in each asset class and manager selection. A manager's performance depends on the portfolio managers' skill in making appropriate investments. As a result, a manager may underperform the market or similar funds/managers. For custom hedge fund portfolios, performance depends on the ability of the fund's investment manager to anticipate correctly the relative potential returns and risks of the asset classes in which the fund directly or indirectly invests.

## Private Investment Funds

Private funds generally involve various risk factors and liquidity constraints—a complete discussion of which is set forth in each fund's offering documents—that will be provided to each client for review and consideration. Investing in private investment funds is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include loss of all or a substantial portion of the investment due to: leveraging, short-selling, or other speculative practices; lack of liquidity because of redemption terms and conditions and that there may not and will not be a secondary market for the fund; volatility of returns; restrictions on transferring interests in the fund; a potential lack of diversification; higher fees than mutual funds; lack of information regarding valuations and pricing; and advisor risk. Each prospective client investor will be required to review the offering memorandum and complete a Subscription Agreement with the private investment fund itself, pursuant to which the client investor shall establish that he/she/it is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment. Private funds have liquidity risk and investors may not be able to redeem their investment per the offering document's disclosures. In addition, Convergent may recommend a particular fund to many clients and a subsequent recommendation to terminate that fund from client portfolios may result in liquidity constraints impacting the redeeming investments from the fund. Convergent has adopted internal controls to attempt to mitigate this risk. However, the redemption/liquidity terms detailed in each fund's offering documents supersede Convergent's policies.

## Convergent is Not a Bank

Any investments recommended by Convergent are not deposits or other obligations of a bank, are not guaranteed by any bank, are not insured by the FDIC or any other Government Agency, are restricted as to any transfer, and involve investment risks, including possible loss of principal amounts invested.

## 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 Convergent or the integrity of Convergent's management. Convergent and its employees have not been involved in any legal or disciplinary events in the past 10 years, that we believe would be material to your evaluation of Convergent or integrity of Convergent's management.

## Item 10 Other Financial Industry Activities and Affiliations

### Convergent's Ownership Structure and Affiliations

As of May 2007, Convergent is majority-owned by Convergent Capital Management LLC ("CCM"), a holding company wholly-owned by RBC USA HoldCo Corporation ("RBC").<sup>1</sup> Employees of Convergent maintain a minority ownership in the firm. CCM and RBC also directly and indirectly own and maintain ownership interests in other financial services organizations, including other asset management firms, investment companies, and pension consultants. RBC makes available to its affiliates opportunities for cooperative purchasing of certain administrative programs and products. RBC CM, RBC GAM-US and City National Bank are wholly-owned subsidiaries of RBC USA Holdco Corporation, which is a wholly-owned indirect subsidiary of Royal Bank of Canada.

Convergent operates independently from CCM and RBC and each of its investment advisory affiliates, does not conduct joint operations with any of these affiliated investment advisers, and does not provide investment advice that is formulated, in whole or in part, by such affiliated investment advisers except as described below.

RBC also owns City National Bank. Convergent may occasionally recommend the custodial services of City National Bank, which include banking and trust services that certain clients may require. These services may be obtained for other providers at a lower cost. In addition, City National Bank may refer related limited partnerships or limited liability companies sponsored/managed by Convergent to potential investors, and, as a result, may receive a portion of the administrative or management fee paid to Convergent. Additional information on referral arrangements with City National Bank and other affiliates is in **Item 14-Client Referrals and Other Compensation**.

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<sup>1</sup> Prior to May 2007, Convergent was Lydian Wealth Management Company. As of May 2007, Windermere Investment Advisors and CMS Strategies became part of Convergent.



City National Bank and certain affiliates use asset allocation and manager search information provided by Convergent. Information on these services is in **Item 4-Advisory Business**.

In 2014, Steven Lockshin founded AdvicePeriod, an SEC registered investment adviser focused on providing wealth management solutions for ultra-high net worth clients. Mr. Lockshin currently serves as a client advisor. Certain Convergent clients have elected to become clients of AdvicePeriod and AdvicePeriod compensates Convergent for those clients for a period of time. Mr. Lockshin and Mr. Russell spend a significant amount of their time working for AdvicePeriod. Furthermore, Convergent has a non-material ownership interest in AdvicePeriod.

All investment management arrangements with related parties are conducted on an arm's length basis so as to neither advantage nor disadvantage Convergent's other clients or Convergent's related parties.

### **CFTC Registration and NFA Membership**

Convergent is registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator and is a National Futures Association ("NFA") Member. Convergent filed a notice of claim for exemption pursuant to CFTC Rule 4.7. Rule 4.7 exempts a commodity pool operator who files a notice of claim for exemption from having to provide a CFTC-mandated Disclosure Document to investors. Accordingly, Convergent is exempt from the requirement to provide a Disclosure Document with respect to investors in its affiliated funds.

In addition, certain supervised persons are registered with the NFA as Associated Persons and Principals of Convergent.

### **Recommendation of Affiliated Managers**

For the clients that use CNB trust services, the trusts will utilize a CN Rochdale money market fund sweep vehicle for uninvested cash. CN Rochdale is charging a fee in its money market fund that is addition to the fees Convergent charges.

### **Affiliated Private Investment Funds**

As discussed in greater detail in the Advisory Business Section (Item 4), Convergent is the managing member of and investment adviser to Windermere Jupiter Fund, LLC and the administrative member of and investment adviser to CMS Strategies/Barlow Long-Short Equity Fund, LLC. Convergent collects a fee from each of these affiliated funds except CMS/Barlow which is liquidating, which are all funds of funds. There is an inherent conflict of interest in recommending these funds because doing so may give Convergent an incentive to recommend these funds because of the compensation received by Convergent, rather than the clients' needs. Convergent believes it remains objective in giving investment advice regarding these funds and would only do so if it is in the best interest of the client. In asserting that it is objective, Convergent considers the benefits to clients of investing in these funds, such as diversification and access to managers (minimum investment amounts), that are not accessible to

clients who are not Qualified Purchasers (as defined by the SEC).

Clients should also be aware that because Convergent selects/recommends the above described private investment funds for which it serves (for compensation) as managing member, administrative manager, and/or investment adviser, an inherent conflict of interest exists that may provide an incentive for Convergent to recommend redemption of interests in unaffiliated private investment funds before recommending that clients redeem from the Convergent-affiliated funds. Convergent has adopted policies and procedures designed to mitigate this conflict of interest and ensure recommendations are made solely in the interest of clients.

Certain Convergent employees also have affiliations with other private funds. These other affiliations are not material to Convergent's advisory business. Additional information about these affiliations are in **Item 11-Code of Ethics**.

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

Convergent's Code of Ethics requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Convergent above one's own personal interests;
- Disclose conflicts of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Promote the right of the client to select and choose any broker or dealer he/she/it wishes to utilize;
- Emphasize the unrestricted right of the client to decline to implement or modify any advice rendered;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on themselves and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals; and
- Comply with applicable provisions of the federal securities laws.

Convergent's Code of Ethics also requires certain employees to: (1) pre-clear certain personal securities transactions, (2) report personal securities transactions on at least a quarterly basis, and (3) provide Convergent with a detailed summary of certain holdings and securities accounts (both initially upon

commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

Additional procedures have been adopted to ensure compliance with the provisions of the Code of Ethics, including affirmations of compliance annually and upon amendment and regular reviews of holdings and transactions. Convergent and/or its officers or employees are permitted to trade in securities that are held in client accounts or being considered for purchase in client accounts. If the possibility of a conflict of interest occurs, the Code requires that a client's interest prevail. It is Convergent's policy that clients' transactions will always have priority over the transaction of an employee of Convergent.

A copy of Convergent' Code of Ethics is available to any client or prospective client upon request by contacting the Compliance Department at [Compliance@Convergentwealth.com](mailto:Compliance@Convergentwealth.com).

Some of the officers of Convergent are investors and partners or members in several unaffiliated private investment partnerships, limited liability companies, or corporations that invest in securities or private equity opportunities. Certain of the investors in the private investment partnerships, limited liability companies, or corporations may also independently be clients of the adviser. Convergent does not act as an adviser, sponsor, or placement agent for these private investment partnerships or companies.

## **Gifts**

In the normal course of business, Convergent provides gifts and gratuities to various individuals or entities such as clients, vendors, consultants, and service providers. These gifts and gratuities are not premised upon any specific client referrals or any other type of benefit to Convergent and guidelines relating to gifts and gratuities are included in Convergent's Code of Ethics.

All gifts or charitable contributions should be considered as gifts or charitable contributions from Convergent Wealth Advisors in its capacity as an investment advisor. Gifts and charitable contributions should not be considered from individuals representing Convergent or its affiliates.

## **Item 12 Brokerage Practices**

### **Brokerage Discretion**

Convergent recommends investments to clients, including mutual fund and/or ETFs. Unless directed otherwise, Convergent will have brokerage discretion over client accounts. Convergent typically executes transactions through the custodian who maintains custody over each client's assets. As a result, Convergent generally (except as described below) does not aggregate orders when it has the opportunity to do so.

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services.

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

Convergent is not obligated to seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction for the client’s account or recommend any broker or dealer on the basis of its purported posted commission rate. Accordingly, recommended brokers or dealers may charge commission rates in excess of the amounts another broker or dealer would have charged for effecting transactions when Convergent has determined in good faith that the broker’s or dealer’s commission rates generally are reasonable in relation to the value of the brokerage and/or research provided by the broker or dealer.

For most clients, Convergent recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc., (“Schwab”) a FINRA registered broker-dealer and member of SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although Convergent may recommend that clients establish accounts at Schwab, it is the client’s decision to custody assets with Schwab and open an account with Schwab by entering into an account agreement directly with them. Convergent is independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when Convergent or the client instruct them. Schwab Advisor Services (formerly Schwab Institutional) is Schwab’s business serving independent investment advisor firms like Convergent. Schwab provides Convergent with access to its institutional trading and custody services typically not available to Schwab retail investors. Schwab Advisor Services also makes available various support services, some of those services help Convergent manage or administer client accounts while other services help Convergent manage and grow their business. These services generally are available to independent investment advisors at no charge to them as long as a total of at least \$10 million of the advisor’s clients’ account assets are maintained at Schwab Advisor Services.

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit the client and the client’s account.

Schwab also makes available to Convergent other products and services that benefit Convergent but may not directly benefit the client and the client’s account. These products and services assist Convergent in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research,

Schwab also makes available software and other technology that provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of our fees from our clients' accounts; and to assist with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of Convergent accounts, including accounts not maintained at Schwab Advisor Services.

Schwab also offers other services intended to help Convergent manage and further develop our business enterprise. These services include: educational conferences and events; technology, compliance, legal, and business consulting; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants and insurance providers. Schwab may provide some of these services itself. In other cases, Schwab will arrange for third-party vendors to provide the services to us.

Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Convergent with other benefits such as occasional business entertainment of our personnel.

The availability of these services from Schwab benefits Convergent because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon Convergent committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give Convergent an incentive to recommend that clients maintain accounts with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above) and not Schwab's services that benefit only us. We have over

\$4,000,000,000 in regulatory assets under management, and do not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

When negotiating fees on behalf of Convergent's clients, Schwab takes into consideration the entire Convergent relationship and not individual clients. Aggregating Convergent clients' assets should result in lower negotiated fees.

As described below in **Item 14. Client Referrals and Other Compensation**, Convergent pays Schwab for referrals made while Convergent was part of the Schwab Advisor Network. While Convergent may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab.

Generally, Convergent recommends that clients establish custody accounts that charge an asset-based fee ("ABP Service Fee") rather than transaction-based pricing, as Convergent believes this will be most

cost effective for clients over a complete investment cycle. Schwab will charge ABP Service Fees generally in lieu of transaction-based commissions for brokerage services provided by Schwab to such accounts. The complete list of those services not covered by the ABP Service Fee is contained in Schwab's Asset-Based Pricing Addendum to Account Applications and Agreements Form, which must be completed by the client.

Clients may have a pre-established relationship with a broker and may instruct Convergent to execute all transactions through that broker. In directing the use of a particular broker or dealer, clients may lose out on certain benefits that may otherwise be obtained and it should be understood the Convergent will not have authority to obtain volume discounts. Consequently, clients directing the use of a particular broker may not receive best execution. As a result of the client directing Convergent to use a specific broker, the client acknowledges that he/she/it may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case had the client effected transactions through brokers recommended by Convergent.

Each investment manager that Convergent selects or recommends to its clients generally will have investment discretion over that portion of the client's accounts managed by the particular investment manager. For non-discretionary clients, the client will have a direct contractual relationship with each such investment manager. Discretionary client assets may be placed with an investment manager based on an umbrella agreement between Convergent and the manager. These investment managers are responsible for providing their firm's Form ADV Parts 2A and 2B and other required disclosures to our mutual clients. The designation by a client of a particular broker for execution of client account transactions (particularly if it differs from the brokers used by that manager for execution of most of the manager's other clients' accounts) may affect the commission rates and the method and pricing of execution of the client's account transactions for the portion of the client's portfolio managed by a particular investment adviser. Non-discretionary clients are urged to review each portfolio investment manager's disclosures on brokerage practices in deciding whether to direct the investment manager to use a particular broker for execution of the client's portfolio transactions.

In certain situations, Convergent may select or recommend to a number of its clients investments in certain private funds that invest in illiquid assets, including interests in other private funds (i.e., funds of funds). As a result, to the extent that Convergent's clients collectively own a material interest in such private funds, a determination/recommendation by Convergent for clients to simultaneously liquidate their holdings in one or more of these private funds may cause the private funds' managers to be forced to liquidate underlying positions quickly and therefore reduce the opportunity to realize maximum value for certain illiquid positions held by the fund. Similarly, in order to protect their funds from perceived inopportune liquidations, the private fund managers may impose restrictions on redemptions, otherwise known as "gating" the private fund.

Certain clients set up margin accounts in connection with their Convergent managed brokerage accounts. After a discussion with a client, Convergent may utilize margin on the account either for short term transaction or as leverage, based on the clients individual risk profile.

## **Item 13 Review of Accounts**

## **Review of Accounts**

Client accounts generally are reviewed at least quarterly, but often more frequently, for performance and client restrictions. The timeliness of these reviews is based upon the accessibility of client information from selected money managers. All accounts are typically reviewed by a member of the Advisory team, typically the Director, Associate Director, or Investment Management Associate on the Advisory team assigned to each client. Triggering factors include material changes in a client's financial situation, changes in a money manager's management team or advisory fee, as well as political and economic events.

## **Reporting to Investment Supervisory and Performance Measurement Clients**

All clients receive or can access performance summary information at least on a quarterly basis. These reports detail the client's positions, gains and losses (as reported by the custodian), income and expenses, and the performance of all mutual funds, ETFs, private investment funds, and/or investment managers in the client's portfolio managed by Convergent. Convergent may retain the services of a third party to generate performance reports or prepare reports itself. In all cases, Convergent reviews performance reports for accuracy and completeness.

Clients should rely exclusively on their qualified custodian to provide cost basis.

In addition, the reports compare the client's performance to relevant index benchmarks. In certain cases, a portfolio may be compared to a benchmark that is not directly investable. Indices included in the report are for the purpose of comparing a client's returns to the returns on a broad-based index of securities most comparable to the types of securities held in a client's account(s), to the general equity market or to another agreed upon benchmark. Although a client's account is invested in securities that are generally similar in type to the related indices, the particular issuers, industry segments, geographic regions, and weighting of investments in a client's account do not necessarily track the index. Convergent may compare the same or similar investments to different benchmarks depending on the role the investment is intended to be positioned within the portfolio, client type, or business division. In addition, clients who request specific benchmarks may have different benchmarks than other clients.

## **Reporting to Affiliated Private Investment Funds**

Capital account statements are sent on a monthly or quarterly basis to Affiliated Private Investment Fund investors. These statements include detailed account balances and return information (prepared by an independent third party administrator). Investors also receive an annual audited financial statement of the Affiliated Private Investment Fund and Schedule K-1.

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

## **Solicitation or Referral for Economic Benefit Arrangements**

Convergent has multiple relationships with solicitors that refer advisory business to the firm. If a client

was introduced to Convergent through a solicitor, Convergent may pay that solicitor a referral fee in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940. The referral fee shall be paid solely from Convergent's fee as defined in the client investment advisor agreement, and shall not result in any additional charge to client. By signing the investment advisory agreement, the client acknowledges receipt of the written disclosure statement disclosing the terms of the solicitation arrangement between Convergent and the solicitor, including the compensation to be received by the solicitor from Convergent.

Convergent has entered into a solicitation arrangement with City National Bank, an affiliated entity. Representatives of City National Bank and/or City National Securities may receive cash or non-cash compensation for the referrals of clients and investors who ultimately become clients of Convergent or investors in the Affiliated Private Investment Funds. In addition, Convergent may enter into other solicitation agreements between or among Convergent and its affiliates.

An inherent conflict of interest arises on behalf of the solicitor because it is receiving an economic benefit for the referral or recommendation of Convergent's services. In all cases, Convergent will provide all clients subject to a solicitation or referral fee a disclosure which they will be required to sign.

In the past, Convergent received client referrals from Charles Schwab & Co., Inc. ("Schwab") through Convergent's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Convergent. Schwab does not supervise Convergent and has no responsibility for Convergent's management of clients' portfolios or Convergent's other advice or services. Convergent pays Schwab fees to receive client referrals through the Service. Convergent's participation in the Service may raise potential conflicts of interest described below. Though at this time, Convergent is not actively participating in the Service, Convergent continues to compensate Schwab for referrals made in the past under the agreement outlined below.

Convergent pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Convergent is a percentage of the fees the client owes to Convergent or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Convergent pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Convergent quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Convergent and not by the client. Convergent has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Convergent charges clients with similar portfolios who were not referred through the Service.

Convergent generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Convergent generally would pay in a single year. Thus, Convergent will have an incentive to recommend that client accounts be held in custody at Schwab.



The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Convergent's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Convergent will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Convergent's fees directly from the accounts.

For accounts of Convergent's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Convergent's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Convergent may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Convergent nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Convergent's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **PORTAX**

Convergent sells site licenses on an annual subscription basis to a proprietary asset allocation software package, PORTAX. In conjunction with such sales, Convergent may also make available its quarterly asset class forecasts.

## **Item 15 Custody**

Convergent does not take possession of client funds or securities, nevertheless Convergent has custody of some client assets through the direct debiting of management fees from client custodial accounts, sponsorship of Convergent's Affiliated Private Investment Funds, or custody by an affiliate.

Clients should receive at least quarterly statements from the broker dealer, bank, or other qualified custodian that holds and maintains client's investment assets. Convergent urges the client to carefully review such statements and compare such official custodial records to the account statements that we may provide to clients. Our performance reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Convergent is deemed to have custody over the assets in the Affiliated Private Investment Funds described in **Item 4-Types of Clients**. These funds are each subject to an annual audit by an independent auditor and audited financial statements are sent to investors annually. Some of our clients maintain assets with City National Bank, a related party, which means Convergent is deemed to have custody of these assets.

City National Bank undergoes an annual SSAE 16 (aka SAS 70) review annually.

## Item 16 Investment Discretion

Convergent has the authority in managing discretionary client accounts to determine the amount and type of investments to be bought and sold and managers to be hired and terminated. In all cases, such discretion is exercised in a manner consistent with the stated investment objectives for the particular client account.

ISG and the IC determine the investment strategy and manager selection options for Convergent. Depending on the ISG/IC recommendation, Convergent will adopt an implementation plan that considers the goals of the ISG/IC decision, fairness to all clients, and practical issues (such as short term redemption fees<sup>2</sup>). Each Advisory team is responsible for considering how and when to implement the investment strategy and manager selection options for each client and considers these factors, among others, when making those decisions: investment objective, policies, and strategy of the account; appropriateness of the investment to the account's time horizon and risk objectives; existing levels of ownership of the investment and other similar investments; immediate availability of cash or buying power to fund the investment; and complexity of client portfolio (including whether the portfolio holds private investment vehicles or more liquid securities). As a result of customizing client portfolios based on the above considerations, the time frame for implementing the investment strategy and/or manager selection may vary client by client which may result in different clients receiving favorable or disadvantageous execution. Convergent will monitor the implementation plan to ensure all investment decisions are implemented fairly and in accordance with the goals and objectives of ISG/IC.

In certain circumstances, the ISG/IC's recommendation may impact all client accounts and Convergent's plan will be to implement the recommendation for all client accounts at the same time or on the same day to make an effort that all clients receive a similar execution price. However, given that trading is executed through each client's custodian, Convergent may be limited in its ability to aggregate orders. Convergent may, but need not, aggregate and block orders or enter execution for all client accounts in an investment or manager on the same day for accounts, depending on the type of investment, mutual fund, ETF, or SMA, in circumstances in which Convergent believes will result in a more favorable overall execution.

Depending on the implementation plan, transactions in client accounts could be executed at a higher or lower price than would be otherwise paid by a client absent the implementation plan. In the opinion of Convergent, the result of the implementation plans will on the whole over time be in the best interests of each of the participating client accounts. In some instances, however, the implementation plan could have an adverse effect on a particular account.

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<sup>2</sup> A mutual fund redemption fee, also referred to as a "redemption fee," "market timing fee," or "short-term trading fee," is a charge by a mutual fund company to discourage investors from making a short-term purchases and sales of mutual fund shares. Clients may incur redemption fees in the event that a change is made to Convergent's investment strategy or asset allocations. Redemption fees vary by mutual fund and are described in each mutual fund's prospectus. Imposition of redemption fees may have a material impact on the performance of client accounts.

Clients with individual investment policies or restrictions may not be able to participate in the implementation plan and may only be invested in such investments after compliance with respect to the investment policies or restrictions has been established. These clients may receive a less favorable price on such transactions. Certain limitations may preclude Convergent from implementing the recommendation for all client accounts at the same time, such as the client custodies its assets at a custodian that requires the client's letter of authorization prior to implementation, the client has certain assets margined, or other factors that may limit Convergent's ability to implement investment discretion on clients' behalf.

For non-discretionary clients, Convergent may not make investment decisions, including buying or selling securities, for the client without prior consultation with, and the consent of, the client. Clients understand that they may forego a particular transaction if Convergent cannot obtain that consent. In addition, certain clients, such as Institutional clients, may only make investment decisions with the approval of oversight groups, such as Board of Directors, Board of Trustees, or investment committees. As such, depending on when these oversight group have scheduled meetings and Convergent has access to such oversight boards, Convergent may not have an opportunity to make recommendations within the timeframe of the implementation plan. Convergent will make investment recommendations as soon as practicable, and may, if deemed necessary, request access to the oversight committee in between scheduled meetings. If such access is not available, however, Convergent may not be able to make recommendations and get consent in accordance with implementation plans available to other clients.

When placing trades for all clients and on an ongoing basis, Convergent will determine whether to reinvest dividends for each investment unless specified by the Client.

Any trade errors will be rectified to make the client whole as if the error did not occur.

It is Convergent's policy that the firm will generally not affect any principal or agency cross securities transactions for client accounts. Convergent will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. However, Convergent may occasionally engage in principal transactions under certain circumstances. In each of these circumstances Convergent will comply with Rule 206(3)'s disclosure and consent requirement prior to the completion of each principal transaction. At a minimum, the disclosure will include information sufficient to identify and explain the potential conflict of interest. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 17 Voting Client Securities**

Convergent will not exercise proxy voting authority over client securities with the exception of proxies voted on behalf of the Affiliated Private Investment Funds and ERISA clients. The obligation to vote client proxies shall at all times rest with the client, except for those specific client assets over which an

independent investment manager has assumed proxy voting authority. Clients shall in no way be precluded from contacting Convergent for advice or information about a particular proxy vote. However, Convergent shall not be deemed to have proxy voting authority solely as a result of providing such advice to client.

Should Convergent inadvertently receive proxy information for a security held in a client's account, then Convergent will immediately forward such information on to client, but will not take any further action with respect to the voting of such proxy. Upon termination of its Investment Management Agreement with a client, Convergent shall make a good faith and reasonable attempt to forward proxy information inadvertently received by Convergent on behalf of the client to the forwarding address provided by the client to Convergent.

For ERISA accounts, Convergent shall exercise proxy voting authority where appropriate. However, if the ERISA plan's governing documents state that proxy voting authority is retained by a named fiduciary, that fiduciary shall be responsible for voting proxies.

When required to vote, Convergent votes client proxies in the interest of maximizing shareholder value. Convergent believes that we are unlikely to be in a situation that results in a material conflict of interest between our clients' interests and the interest of our firm. However, if a situation should arise where a material conflict of interest is determined to exist, Convergent will make an effort to seek out the opinion of a qualified independent third party regarding this issue.

Convergent has developed written policies and procedures governing proxy voting to be followed, when applicable. A copy of Convergent's complete proxy voting policy is available upon request. Convergent clients may request copies of their proxy voting records by sending a written request to Convergent Wealth Advisors, ATTN: Compliance, 12505 Park Potomac Avenue, Suite 400, Potomac, MD 20854, by emailing [Compliance@ConvergentWealth.com](mailto:Compliance@ConvergentWealth.com), or by issuing an oral request.

## **Class Actions**

With regard to all matters (other than proxies) for which shareholder action is required or solicited with respect to securities beneficially held by the client's account, such as: (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations, Convergent affirmatively disclaims responsibility for voting (by proxies or otherwise) on such matters and will not take any action with regard to such matters.

## **Item 18 Financial Information**

Convergent has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.