

# *Capital Wealth Planning, LLC*

## FORM ADV PART 2A – FIRM BROCHURE

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*This disclosure brochure provides clients with information about the qualifications and business practices of Capital Wealth Planning, LLC, an independent investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). It also describes the services Capital Wealth Planning, LLC provides as well as background information on those individuals who provide investment advisory services on behalf of Capital Wealth Planning, LLC. Please contact Brian Bruneau, Chief Compliance Officer of Capital Wealth Planning, LLC at 239-593-2100 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that Capital Wealth Planning, LLC or any individual providing investment advisory services on behalf of Capital Wealth Planning, LLC possess a certain level of skill or training. Additional information about Capital Wealth Planning, LLC is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Capital Wealth Planning, LLC is 150764.*

## **MATERIAL CHANGES**

Since the date of its last annual amendment (February 8, 2017) this brochure has been materially changed as follows:

Brian Bruneau has replaced Jeffrey Carney as Chief Compliance Officer.

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

Capital Wealth Planning, LLC has disclosed that depending on the preferences of the client, it may charge fees either monthly or quarterly in arrears.

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

Capital Wealth Planning, LLC has disclosed that it is now affiliated with CapitalRock Financial, LLC, an investment adviser registered in the State of Florida.

## CAPITAL WEALTH PLANNING, LLC

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## **Item 4 - ADVISORY BUSINESS**

### **A. The Company**

Capital Wealth Planning, LLC is a privately-held Florida limited liability company that has been registered with the SEC since June 2009. Throughout this disclosure brochure, Capital Wealth Planning, LLC is referred to as "CWP."

The principal owners of CWP are Kevin G. Simpson and Joanna Irons.

### **B. Advisory Services**

CWP provides discretionary investment advisory services to both separately managed accounts and other registered and non-registered investment managers (on a sub-advisory basis) under the following investment programs:

#### Investment Management Services

CWP provides investment advisory services, defined as giving continuous advice to clients or making investments for a client based on the individual needs of the client. Through discussions, during which a client's goals and objectives are established, CWP and the client determine the client's risk profile and investment guidelines. CWP will create a portfolio principally comprised of mutual funds, exchange traded funds (commonly known as "ETFs"), and/or debt and equity securities in accordance with the investment objectives of the client. Each portfolio will be designed with the goal of meeting each client's individual needs and risk tolerance. Investment advisory services will be provided on a discretionary basis, wherein the client gives CWP full authority to manage the client's assets in accordance with what CWP deems to be in the client's best interest.

Clients will have the opportunity to place restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities.

#### Option Trading Program

The Option Trading Program is designed for those clients whose investment objective is to seek total return. Under this program, CWP will construct a client's portfolio using a diversified portfolio consisting of primarily exchange traded funds ("ETFs") or dividend paying stocks, including inverse exchange traded funds and index exchange traded funds. CWP will emphasize securities on which exchange traded call options are currently available.

CWP's trading strategy under the Option Trading Program focuses on the creation of cash flow primarily from writing (selling) covered call options<sup>1</sup> on some or all of

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<sup>1</sup> A covered call position is when you sell calls against your long stock position. The strategy is coined "covered call" because as an option seller you are "covered" or protected because of your long position. When you write a covered

the portfolio's holdings. Any client who is willing to generate income in exchange for assuming the obligation or risk of selling an equity position at a specified price – generally at a price slightly higher to moderately higher than where the ETF or stock is currently trading – is a candidate for this strategy. In constructing a client's portfolio, CWP may also utilize an inverse exchange traded fund to reduce the portfolio's exposure to market risk and volatility. CWP may also write call options on the inverse exchange traded fund.

### Option Overwrite For Individual Equities

The client gives trading authority to CWP and indicates the name of the stock and the number of shares that will be in the CWP Overwrite program. Many clients choose to contribute only a certain percentage of their shares to the program.

CWP monitors all open option positions on an ongoing basis and continually seeks to maximize income enhancement from the concentrated positions. As the underlying stocks move with the market, CWP periodically analyzes all overwrite call positions to allow our clients to participate partially in up-trends. As the stocks approach CWP's "strike prices," it can sell the shares or roll-up the options and adjust our targets.

The stock market, in general, is very dynamic and CWP's strategy seeks to respond to market moves in a systematic and disciplined manner. If the stock in the program price advances sufficiently before expiration, CWP will buy back our close-to-the-money outstanding options back and simultaneously sell a larger number of new higher strike price contracts. The new quantity is mathematically determined to effectively roll the position. If the stock continues, the close-to-the-money options are again re-purchased and incrementally more contracts are ladder up to attempt to protect the shares.

Conversely, if the stock price declines, the outstanding options are repurchased for a profit and in a future trade, a smaller number of new, lower strike price options will be sold. This is where covered call selling provides the most value. Ultimately, CWP is trying to lessen the volatility and produce a modest income stream.

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

CWP offers a full range of investment advisory services which can be tailored to meet the specific needs of each client. In order to provide appropriately individualized services, CWP will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

At least annually, CWP will review with clients their financial circumstances, investment objectives and risk profile. In order for CWP to provide effective advisory

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call, you own the stock and receive a premium for every share "covered" by this contract. However, you also are required to deliver the shares that are "covered" if the option is exercised and your shares are assigned.

services, it is critical that clients provide accurate and complete information to CWP and inform CWP anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

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

CWP does not offer a wrap fee program to retail clients.

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

As of March 31, 2018, the total amount of client assets managed by CWP is approximately \$940,000,000 all of which is discretionary.

### **Item 5 - FEES AND COMPENSATION**

#### **A. Advisory Fees**

##### Investment Management Services

The annual fee for the Investment Management Services is charged as a percentage of assets under management and will not exceed 1.75% of the value of the client's portfolio. The Investment Management Services fee is pro rated for periods less than a full billing cycle (based upon the number of calendar days in the calendar quarter that the advisory agreement was effective).

Clients will be billed either in arrears at the end of each calendar quarter, based upon the value (market value or fair market value in the absence of market value), of the client's portfolio at the end of the current month or quarter as the case may be. Details of the investment advisory fee charged and applicable billing period are more fully described in the advisory agreement entered into with each client.

##### Options Trading Program

The annual asset-based fee for the Option Trading Program is charged as a percentage of assets under management and will not exceed 1.75% of the value of the portfolio. Clients are billed quarterly in arrears. The asset-based fee will be based on value of the client's account as of the last day of the prior calendar quarter. For the first billing quarter, if an account is not opened at the beginning/end of a quarter, the asset-based fee will be based upon a pro-rata calculation of the aggregate market value of the client's assets under management. Details of the asset-based fee charged are more fully described in the advisory agreement entered into with the client.

#### **B. Payment Method**

There are two options a client may select to pay CWP's advisory services fees:

### Direct Debiting

Each month or quarter, as the case may be, CWP will notify the client's qualified custodian of the amount of the fee due and payable to CWP pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check CWP's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account the client has designated to pay CWP's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to CWP.

### Billing

Each month or quarter, as the case may be, CWP will issue the client an invoice for the firm's services and the client will pay CWP by check or wire transfer within thirty (30) days of the date of the invoice.

## **C. Additional Fees and Expenses**

### Mutual Fund Fees and Exchange Traded Funds

All fees paid to CWP for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and Exchange Traded Funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay a deferred sales charge. A client could invest in a fund directly, without the services of CWP. In that case, the client would not receive the services provided by CWP which are designed, among other things, to assist the client in determining which funds are most appropriate to each client's financial condition and objectives. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by CWP to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### Trading and Other Costs

All fees paid to CWP for investment advisory services are separate and distinct from transaction fees charged by broker-dealers associated with the purchase and sale of mutual funds, Exchange Traded Funds, fixed-income and equity securities and options. In addition, fees do not include the services of any co-fiduciaries,

accountants, custodians or attorneys. Please see the section entitled “Brokerage Practices” of this firm brochure for additional information on brokerage and other transaction costs.

#### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client, will be billed directly by such professional(s).

#### **D. Termination and Refunds**

A client has the right to terminate an investment advisory agreement without penalty within five (5) business days after entering into such agreement.

A client agreement for the Option Trading Program may be canceled at any time, by either party, for any reason upon thirty (30) days’ prior written notice. This will permit CWP sufficient time to finalize transactions, if necessary, and enables the delivery of final statements and release of documents. Because CWP’s fees are paid in arrears, the client will not be due any refund.

#### **E. Additional Compensation**

CWP and its associates are engaged for fee-only services and an effort is made to recommend “no-load” investments whenever possible. CWP does not accept commissions or compensation from any other source (*e.g.*, mutual funds, insurance products or any other investment product) and does not charge a mark-up on clients’ securities transactions.

Neither CWP nor its associated persons receive “trailer” or 12b-1 fees from an investment company that the firm recommends. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing.

#### **F. Important Additional Information**

##### Fees Negotiable

CWP retains the right to modify fees, in its sole and absolute discretion, on a client-by-client basis based on the size, complexity and nature of the option trading activity.

##### Deposits/Withdrawal Information

Asset deposits by a client into an Option Trading Program account during the quarter will result in a pro-rate fee being billed to the client’s account due to the efforts of CWP to execute new option contracts with the additional assets based on the client’s current option strategy, the option position (writing calls or puts) and availability of the type, class and services of option desired.



Any withdrawal from an Option Trading Program account is discouraged if such activity in making the withdrawal requires CWP to exercise an option contract “out-of-the-money” resulting in a loss to the client’s account. CWP will make no fee adjustments for partial withdrawals within a billing period regardless of the amount.

## **Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

CWP does not accept performance-based fees (e.g., fees based on a share of capital gains on or capital appreciated of the assets in a client’s account).

## **Item 7 - TYPES OF CLIENTS**

CWP provides investment advisory services to individuals (including high net worth individuals), pension and profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities (on a sub-advisory basis).

### **Engaging the Services of CWP**

All clients wishing to engage CWP for investment advisory services must complete CWP’s investment advisory agreement, investor questionnaire as well as any other document or questionnaire provided by CWP. The investment advisory agreement describes the services and responsibilities of CWP to the client. It also outlines CWP’s fee in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of all these documents, CWP will be considered engaged by the client. Clients are responsible for ensuring that CWP is informed in a timely manner of changes in their investment objectives and risk tolerance.

### **Conditions for Managing Accounts**

CWP requires new clients have a minimum account of \$100,000. CWP may reduce or waive this minimum account size.

## **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

#### Methods of Security Analysis

The security analysis methods employed by CWP may include charting, fundamental, technical analysis.

### *Charting*

Charting involves the use of patterns in performance charts which might identify favorable conditions for buying and/or selling a security. Charts of market and security activity are reviewed in an attempt to identify when the market is moving up or down and to predict how long the trend will last and when that trend may reverse.

### *Fundamental Analysis*

Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study the overall economy and industry conditions, the financial condition of a company, details regarding the company's product line, and the experience and expertise of the company's management. The resulting data is used to measure the true value of the company's stock compared to the current market value.

### *Technical Analysis*

Technical analysis involves the examination of past market data rather than specific company data in determining which securities to buy/sell. Technical analysis may involve the use of various quantitative-based calculations, variation metrics and charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of a company. These trends may include put/call ratios, pricing trends, moving averages, volume, changes in volume, among many others. These trends, both short and long-term, are used for determining specific trade entry and exit points and broad economic analysis.

### Investment Strategies

CWP may utilize different investment strategies, based upon the needs of the client, including which include long-term purchases, short-term purchases, trading, as well as option writing, including covered options.

#### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

#### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

### *Trading*

Securities are purchased with the expectation that they will be sold within a very short period of time, generally less than 30 days, in an effort to capture significant market gains and avoid significant market losses during a volatile market.

### *Short Sales*

A securities transaction in which an investor sells borrowed securities in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

### *Option Writing*

An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. An investment strategy utilizing option writing involves selling (writing) an option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

### Sources of Information

In conducting security analysis, CWP may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses and press releases.

### Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Management Risk.* A client's portfolio is subject to management risk because it is actively managed by CWP's investment professionals. CWP will apply its investment techniques and risk analysis in making investment decisions for a client's portfolio, but there is no guarantee that these techniques and CWP's judgment will produce the intended results.
- *Quantitative Tools Risk.* Some of CWP's investment techniques may incorporate, or rely upon, quantitative models. There is no guarantee that these models will generate accurate forecasts, reduce risks or otherwise produce the intended results.

- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may

increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.

- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Company from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).

### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

### Trading

Strategies involving frequent trading of securities can affect investment performance through increased brokerage and other transaction costs and taxes.

### Option Writing

There are numerous risks associated with transactions in options on securities or securities indexes and therefore, are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

### *Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

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

### Charting

The primary risk in using charting analysis is that it may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about a security and yet, day-to-day changes in the market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

### Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

### Technical Analysis

The primary risk in using technical analysis is that spotting historical trends may not help predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that CWP will be able to accurately predict such a reoccurrence.

## **C. Risks Associated with Specific Securities Utilized**

### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

### Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

### Convertible Stocks

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value.”

The investment value of a convertible security is influenced by changes in interest rates, the credit standing of the issuer and other factors. The conversion value of a convertible security is determined by the market price of the underlying common stock. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. A convertible security will generally be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible is called for redemption, a client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a client’s ability to achieve their investment objective.

### Warrants and Rights

Warrants are securities, typically issued with preferred stocks or bonds, that give the holder the right to purchase a given number of shares of common stock as a specified price and time. The price of a warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant’s issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to risk. If the warrant is not exercised within the specified time period, it becomes worthless.

### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an



efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.

- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### High-Yield Securities

High-yield corporate debt securities with credit rating below investment grade (commonly referred to as “junk bonds”) may be subject to potentially higher risks of default and volatility than other debt securities, including risks that the issuer may not be able to meet its obligations to repay principal or interest. These types of debt securities are more susceptible to credit risk than investment grade securities and are considered to be more speculative in nature than higher-quality fixed-income securities. In addition, issuers of high-yield securities may not be as strong financially as those issuing debt securities with higher credit ratings.

### Municipal Bonds

In addition to the risks set forth under “Fixed-Income Securities” above, municipal bonds are susceptible to events in the municipality that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues.

### Commercial Paper and Certificates of Deposit

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

### Federal Agency Securities

Although the issuer may be chartered or sponsored by an Act of Congress, the issuer is not funded by Congressional appropriations and its debt and equity securities are

neither guaranteed nor insured by the U.S. Government. Without a more explicit commitment, there can be no assurance that the U.S. Government will provide financial support to such issuers or their securities.

### Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are asset classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital

gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under “Fixed-Income Securities” listed above.

### Mutual Funds - Index Funds

Index Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

### Options

The actual income from the strategy will depend, to a large extent, on the “target price” of the underlying stock. Therefore, the amount of incremental cash yield is predominantly determined by investors’ individual risk tolerances and willingness to sell the concentrated security.

Covered call writing can provide limited downside protection. It does not, however, eliminate downside risks. Options involve risk and are not suitable for all investors. Prior to opening an account with CWP, clients are required to understand the risks associated with the purchase or sale of options by receiving the Options Clearing Corporation (“OCC”) Publication, “Characteristics and Risks of Standardized Option Trading.”

An option writer may be assigned an exercise at any time during the period the option is exercisable. Starting with the day it is purchased, an American-style option is subject to being exercised by the option holder at any time until the option expires. This means that the option writer is subject to being assigned an exercise at any time after he has written the option until the option expires or until he has closed out his position in a closing transaction.

An assigned writer may not receive notice of the assignment until one or more days after the assignment has been made by the OCC. Once an exercise has been assigned to a writer of the option, the writer may no longer close out the assigned position in a closing purchase transaction, whether or not he has received notice of the assignment. In that circumstance, an attempted closing purchase would be treated as an opening purchase transaction.

If an option that is exercisable is in the money, the option writer can anticipate that the option will be exercised, especially as expiration approaches. Once the writer is assigned an exercise, the assigned writer must deliver (in the case of a call) or purchase (in the case of a put) the underlying interest (or pay the cash settlement amount in the case of an in the money cash-settled option). The consequence of being assigned an exercise depends upon whether the writer of a call is covered or uncovered, as discussed below.

The writer of a covered call forgoes the opportunity to benefit from an increase in the value of the underlying interest above the option price, but continues to bear the risk of a decline in the value of the underlying interest. Unlike a holder of the underlying interest who has not written a call against it, the covered call writer has (in exchange for the premium payment) given up the opportunity to profit from an increase in the value of the underlying interest above the exercise price. If he is assigned an exercise, the net proceeds that he realizes from the sale of the underlying interest pursuant to the exercise could be substantially below its prevailing market price. While CWP takes considerable care in reducing the possibility of having shares called away, there can be no guarantee that the owner of the call option will not exercise the option prior to CWP's repurchase of the sold option.

CWP does not engage in naked or uncovered call or put writing and the foregoing is simply meant for illustrative purposes. The writer of an uncovered call is in an extremely risky position and may incur large losses if the value of the underlying interest increases above the exercise price. The potential loss is unlimited for the writer of an uncovered call. When a physical delivery uncovered call is assigned an exercise, the writer will have to purchase the underlying interest in order to satisfy his obligation on the call, and his loss will be the excess of the purchase price over the exercise price of the call reduced by the premium received for writing the call. (In the case of a cash-settled option, the loss will be the cash settlement amount reduced by the premium.) Anything that may cause the price of the underlying interest to rise dramatically, such as a strong market rally or the announcement of a merger or tender offer for an underlying stock at a price that is substantially above the prevailing market price, can cause large losses for an uncovered call writer.

Although the rules of the options markets establish exercise cut-off times by which exercise instructions of expiring options must be received by the brokerage firms from their customers, OCC must accept all exercises which it receives before expiration, even if those exercises are filed with OCC in violation of an options market's rules. Accordingly, there is a risk that an option writer will be assigned an exercise that is made based on news that is published after the established exercise cut-off time and that the writer may not have an effective remedy to compensate for the violation of the options market's rules.

If a trading market in an option should become unavailable, or if the writers of the option are otherwise unable to engage in closing transactions, the writers of that option would remain obligated until expiration or assignment.

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of covered call options on ETFs, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

To implement the Option Trading Program most effectively, CWP may conduct a portion of client's option activity in the Over-The-Counter (OTC) market. OTC options involve risk that the issuer or counterparty will fail to perform its contractual obligations. Participants in these markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchanged-based" markets. Options traded in OTC markets will not be issued, guaranteed or cleared by the Options Clearing Corporation. By engaging in option transactions in these markets, a client may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default.

Prior to any option trading activity, a client will be required to complete a risk tolerance questionnaire. In addition, CWP will fully explain how the Option Trading Program works. In addition, each client will receive the "Characteristics and Risks of Standardized Options" written and published by the Options Clearing Corporation and available at the web site of the Chicago Board Options Exchange ([www.cboe.com](http://www.cboe.com)). It is mutually agreed and understood between CWP and the client, that the client has read this document prior to engaging CWP to perform option-trading activity.

### **Option Overwrite**

- It is important that the prospective client understands the main risk of the program – there will be an opportunity cost if the stock appreciates beyond the Strike Price and the underlying stocks may be called away resulting in unwanted tax implications.
- It may be difficult to achieve the projected annual income if the stock price declines significantly from its current level.
- We also discuss the ways an investor can raise or lower their Strike Price, and the implications of such actions.
- While CWP takes considerable care in reducing the possibility of having shares called away, there can be no guarantee that the owner of the call

option will not exercise the option prior to CWP's repurchase of the sold option.

The actual income from the strategy will depend, to a large extent, CWP's "target price" of the underlying stock. Therefore, the amount of incremental cash yield is predominantly determined by investors' individual risk tolerances and willingness to sell the concentrated security.

Covered call writing can provide limited downside protection. It does not, however, eliminate downside risks. Options involve risk and are not suitable for all investors. Prior to opening an account with CWP, clients are required to understand the risks associated with the purchase or sale of options by receiving the OCC Publication, "Characteristics and Risks of Standardized Option Trading." Copies of this document may be obtained by your Financial Advisor or the OCC, One North Wacker Drive, Suite 500, Chicago, IL 60606 or at [www.optionsclearing.org](http://www.optionsclearing.org).

Performance history is not available for the Overwrite Program as a composite does not exist. The strategy is applied to a client's existing holdings and CWP is not involved in the selection of the underlying stock positions. As such, performance for each client may vary significantly.

***The risks explained above are not intended to be a complete list of the risks involved in investing. There may be other circumstances not described here that could adversely affect a client's investment and prevent their portfolio from reaching its objective. Please contact Brian Bruneau, Chief Compliance Officer of CWP, at (239) 593-2100 if you have additional questions.***

### **Cash Management**

Cash is typically held in money market funds.

### **Item 9 - DISCIPLINARY HISTORY**

CWP is 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.

Kevin Simpson, the Managing Member and portfolio manager of CWP, initially had his license as an "investment adviser representative" denied in the fall of 2010 by the State of Florida. The reasons given by Florida's Department of Financial Regulation primarily had to do with failure of Mr. Simpson to apply for and obtain a license from Florida prior to doing business from there. This occurred due to a technicality in the delay in the filing of Mr. Simpson's fingerprint card. At all times, however, CWP was licensed to do business as an SEC-registered investment adviser in the State of Florida. Other reasons had to do with omitting information on a filing and surrounding the tax free 1035 exchange of one annuity to another by a single client involving a signature medallion. Mr. Simpson timely filed an appeal of this decision, in which he denied all the allegations against him.

To avoid the high cost of litigation and possible uncertainty of the same, Mr. Simpson settled with the State of Florida's Office of Financial Regulation by executing a Stipulation and Consent Agreement and Registration Agreement calling for certain limitations on his registration for a period of eighteen months, i.e., no incentive fees, approval of all new accounts and not engaging in prohibited business practices in violation of Florida law, etc. That eighteen month period has already ended. As part of the foregoing, Mr. Simpson provided a credit to certain clients during a twelve month period against advisory fees in an amount exceeding five figures and paid a fine exceeding five figures to the State of Florida.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker-Dealer Registration and Registered Representatives**

CWP is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

### **B. Futures and Commodity Registration**

CWP is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

### **C. Financial Industry Affiliations**

CWP, through the common ownership of Kevin Simpson and Joanna Irons, is affiliated with CapitalRock Financial, LLC ("CapitalRock"), an investment adviser registered with the State of Florida. CWP and CapitalRock share the same office space. CWP and CapitalRock have taken steps to ensure the confidentiality of each firm's confidential information and the nonpublic personal information of their respective clients. CWP does not believe that its affiliation with CapitalRock presents any conflict of interest as the firm's have different client bases.

### **D. Other Information**

CWP may act as a sub-adviser to other registered investment advisers. The services provided to these other sub-advisers are the same as provided under the Option Trading Program, provided, however, that in selected situations, it may be the other investment adviser and not CWP that selects the ETFs for the portfolio.

## **Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

CWP has adopted a Code of Ethics to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that CWP and its employees owe a fiduciary duty to its clients. Accordingly, CWP expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. CWP and its employees are required to adhere to the Code of Ethics. At all times, CWP and its employees must (i) place client interests ahead of CWP's; (ii) engage in personal investing that is in full compliance with CWP's Code of Ethics; and (iii) avoid taking advantage of their position. Clients and prospective clients may request a copy of CWP's Code of Ethics by contacting Brian Bruneau, Chief Compliance Officer of CWP, at (239) 593-2100.

### **B. Material Financial Interest**

CWP does not recommend to clients securities in which CWP or any related person has a material financial interest.

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

CWP or individuals associated with CWP may buy, sell, or hold in their personal accounts the same securities that CWP recommends to its clients and in accordance with CWP's internal compliance procedures. Such trades will occur simultaneously with or after trades placed on behalf of clients.

To minimize conflicts of interest, and to maintain the fiduciary responsibility CWP has for its clients, CWP has established the following policy: An officer, director, or employee of CWP shall not buy or sell securities for a personal portfolio when the decision to purchase is substantially derived, in whole or in part, by reason of employment with CWP, unless the information is also available to the investing public on reasonable inquiry. No person associated with CWP shall prefer his or her own interest to that of any client. Personal trades in securities being purchased or sold for clients may be effected simultaneously with or after trades are affected for clients. CWP personnel may not anticipate trades to be placed for clients.

## **Item 12 - BROKERAGE PRACTICES**

### **A. Broker Selection**

#### Best Execution

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an



investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while CWP will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

### Broker Analysis

CWP evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving CWP.

Also in consideration is such broker-dealers' provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by "soft dollars", as further discussed in the "Research/Soft Dollars Benefits" section immediately below). Accordingly, if CWP determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

CWP's President and Chief Compliance Officer are responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for our client accounts to ensure consistent quality executions. In addition, CWP periodically reviews its transaction costs in light of current market circumstances and other relevant information.

### Research/Soft Dollar Benefits

CWP uses Charles Schwab & Co.'s, Schwab Institutional (Schwab Institutional) service. There is no direct link between CWP's use of Schwab Institutional and the investment advice it gives to its clients, although CWP receives economic benefits through its participation in the program that are typically not available to Schwab Institutional retail investors.

As a user of Schwab Institutional, Schwab makes available to CWP other products and services that benefit CWP, but may not benefit its clients' accounts. Some of these other products and services assist CWP in managing and administering clients' accounts, including:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving Schwab Institutional participants exclusively;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Ability to have investment advisory fees deducted directly from client account;
- Access, for a fee, to an electronic communication network for client order entry and account information;
- Receipt of compliance publications; and
- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

Schwab Institutional also makes available to CWP other services intended to help CWP manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab Institutional may make available, arrange and/or pay for these types of services rendered to CWP by independent third parties.

Additional benefits received because of CWP's use of Schwab Institutional may depend upon the amount of transactions directed to, or amount of assets custodied by, Charles Schwab & Co., Inc. CWP is required to maintain a minimum level of client assets with Schwab Institutional to avoid a quarterly service fee. While as a fiduciary CWP endeavors to act in its clients' best interests, CWP's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to CWP of the availability of some of the foregoing products and services and not solely on the nature cost or quality of custody and brokerage provided by Schwab which may create a conflict of interest.

### Directed Brokerage

#### *CWP Directed Brokerage*

CWP does not have the discretionary authority to determine the broker-dealer to be used. Clients in need of brokerage will have Charles Schwab & Co., Inc. Institutional Services Group ("Schwab") recommended to them. While there is no direct linkage between the investment advice given and usage of Schwab, economic benefits are received which would not be received if CWP did not give investment advice to clients (please see additional disclosures in the "Research/Soft Dollars Benefits" section directly above). CWP does not participate in any transaction fees or commissions paid to the broker dealer or custodian and does not receive any fees or

commissions for the opening or maintenance of client accounts at recommended brokers.

Not all investment advisers require their clients to direct brokerage. CWP is required to disclose that by directing brokerage, CWP may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

#### *Client Directed Brokerage*

Certain clients may direct CWP to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, CWP is required to disclose that CWP may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates CWP might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. CWP reserves the right to decline acceptance of any client account that directs the use of a broker dealer if CWP believes that the broker dealer would adversely affect CWP's fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, CWP encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

### **B. Trade Aggregation/Allocation**

It is the objective of CWP to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients' accounts with substantially similar investment objectives and policies, CWP may often seek to purchase or sell a particular security in each account. CWP will aggregate orders only when such aggregation is consistent with CWP's duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client's participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated pro rata based on the assets of each account.

### **C. Trade Errors**

Errors created in an advisory account must be corrected so as not to harm any client. The goal of error correction is to make the client "whole", regardless of the cost to CWP.

## **Item 13 - REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

Each account will be reviewed by Kevin G. Simpson, President of CWP, as contracted for with the client at the inception of the advisory relationship. Accounts are reviewed in the context of each client's investment objectives and guidelines, ensuring that the structure of the portfolio is coordinated with these objectives.

### **B. Other Reviews**

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.

### **C. Reports**

Clients will receive monthly statements directly from the custodian. Confirmation statements will be issued by the custodian for all trading activity.

## **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits**

CWP does not receive any economic benefits (e.g., sales incentives, prizes) from non-clients for providing investment advice.

### **B. Client Referrals**

From time to time, CWP may retain solicitors to refer clients to CWP. If a client is introduced to CWP by either an unaffiliated or an affiliated solicitor, CWP may pay that solicitor a referral fee in accordance with the requirements of the Investment Advisers Act of 1940, as amended, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from CWP's management fee, and shall not result in any additional charge to the client. If the client is introduced to CWP by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of CWP's written disclosure statement as same is set forth in this Disclosure Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between CWP and the solicitor, including the compensation to be received by the solicitor from CWP. Any affiliated solicitor of CWP shall disclose the nature of their relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of CWP's written disclosure statement as same is set forth in this Disclosure Brochure.

## **Item 15 - CUSTODY**

Custody of client assets will be maintained with the independent custodian selected by the client. CWP will not have physical custody of any assets in the client's account except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize CWP to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. *Clients are urged to carefully review the account statement sent by the broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by CWP.*

## **Item 16 - INVESTMENT DISCRETION**

CWP requests that it be provided with written authority to determine the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments shall be submitted in writing.

CWP generally has discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account and (2) the total amount of securities to be bought and sold. CWP's authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between CWP and the client.

## **Item 17 - VOTING CLIENT SECURITIES**

### **Proxy Voting**

Except as set forth below, CWP does not vote proxies on behalf of its clients. Therefore, although CWP may provide investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. CWP and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact Brian Bruneau, Chief Compliance Officer of CWP, at (239) 593-2100 if they have questions regarding a particular solicitation.

CWP may, if required by contract, vote proxies when it is acting in a sub-advisory capacity. CWP has entered into an agreement with an independent third-party service provider to manage CWP's proxy voting responsibilities.

### **Class Action Settlements**

Although CWP may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **Item 18 - FINANCIAL INFORMATION**

### **A. Prepayment of Fees**

Because CWP does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, CWP is not required include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

CWP does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

CWP has never been the subject of a bankruptcy petition.

## **Item 19 - PRIVACY NOTICE**

CWP views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. CWP does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, CWP may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. CWP restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for CWP. As emphasized above, it has always been and will always be CWP's policy never to sell information about current or former clients or their accounts to anyone. It is also CWP's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of CWP's Privacy Policy, please contact Brian Bruneau, Chief Compliance Officer of CWP, at (239) 593-2100.

**Item 20 - CLIENT COMPLAINTS**

Clients may contact Brian Bruneau, Chief Compliance Officer of CWP, at (239) 593-2100 to submit a complaint. Written complaints should be sent to Capital Wealth Planning, LLC, 1016 Collier Center Way, Suite 101, Naples, FL 34110.