

## Item 1: Cover Page

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

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9501 W. Devon Ave., Suite 601  
Rosemont, IL 60018

phone: 847-384-1903  
email: [robertjackway@vitalwealthmgmt.com](mailto:robertjackway@vitalwealthmgmt.com)  
website: [www.vitalwealthmgmt.com](http://www.vitalwealthmgmt.com)

This brochure provides information about the qualifications and business practices of Vital Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 847-384-1903. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Vital Wealth Management, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4: Advisory Business

### A. Vital Wealth Management, LLC

Vital Wealth Management, LLC ("VWM" and/or "the firm"), is an Illinois limited liability company and an investment adviser registered with the SEC. VWM is principally owned by Robert Jackway, the firm's Managing Member.

### B. Advisory Services Offered

VWM is an independent asset management and financial planning firm offering a variety of financial services to individuals and high-net-worth individuals, trusts, corporations, partnerships, retirement plans, tax exempt, municipal and state governments, and other legal entities.

#### B.1. Portfolio Management Services

VWM offers portfolio management services with the implementation of a financial plan or as a standalone service. This service includes analysis of risk tolerance and investment knowledge, counseling regarding various investments, and discussions of the client's financial goals and objectives. The client is given an outline of recommended investment vehicles and their percentage allocation to asset classes needed to achieve appropriate diversification. The analysis and design of the portfolio is based on portfolio optimization models and efficient frontier analysis. Factors used in the analysis include where the U.S. and global economies are in the business cycle, interest rate projections, growth projections and historical data. VWM selects one or more mutual funds or exchange-traded funds ("ETFs") in each asset class to use as the specific investment vehicle. These mutual funds or ETFs may be passively managed (index funds) or actively managed funds. Mutual funds and ETFs are primarily held for the long term unless one of the analysis factors, a change in client risk tolerance (or circumstances), or a problem in the management of the fund indicates the need to move to another asset class or another fund in the asset class. At least annually the portfolio is reviewed and assets are redistributed maintaining the optimum percentage allocation. The client will authorize VWM to effect switches between mutual funds.

For its discretionary asset management services, VWM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure.

VWM's discretionary asset management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. VWM will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. VWM's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances and make

appropriate recommendations and implementation decisions. VWM may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, VWM may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

VWM's investment advisory services to clients take into account a client's personal financial circumstances, investment objectives and tolerance for risk (e.g., cash-flow, tax and estate). VWM's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to VWM in response to a questionnaire and/or in discussions with the client and reviewed in meetings with VWM.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending individual equity and fixed income securities, mutual funds and ETFs.
- Reporting to the client on a quarterly basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing changes in the client's investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client.

In addition to providing VWM with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, VWM's reports to clients will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. VWM will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

## **B.2. Financial Planning Services**

### **B.2.a. Comprehensive Financial Planning**

With comprehensive personal financial planning, the client completes a questionnaire and provides other relevant information and authorizations. VWM will prepare a written plan which describes the client's current situation, identifies needs and opportunities, and makes recommendations designed to help the client achieve his or her goals. Comprehensive personal financial planning is primarily an analytical process designed to help the client articulate and

quantify goals, organize financial data, identify needs and opportunities, and evaluate alternative courses of action. It includes an analysis of current net worth, income taxes, cash flow, investments, employee benefits, estate and gift tax planning, and risk management.

Attention is directed toward restructuring existing assets to achieve the planning objectives. For example, a plan might recommend that a particular security or securities be sold to realize a tax loss, provide diversification, or to change from a growth-related investment to an income-related investment.

While comprehensive financial planning includes investment advice concerning securities, it also includes investment advice with respect to products that may not constitute "securities," such as certificates of deposit, life insurance, and annuities. It also takes into consideration tax and estate planning issues which may not constitute "investment advice."

#### **B.2.b. Specialized Financial Analysis**

In addition to comprehensive financial planning, VWM provides specialized services which focus on particular client needs. These services are provided on a time and disbursements basis, pursuant to a written agreement. The kinds of services listed below are representative of those requested by VWM clients:

- Education funding analysis
- Analysis of life, health and disability insurance coverage
- Estate liquidity and survivor income analysis
- Financial planning for closely held businesses
- Retirement income analysis and projection
- Retirement plan disbursement option analysis
- Employee benefit plan analysis
- Employer-sponsored financial planning
- Analysis of investment portfolios
- Future plan development for parents of disabled children
- Financial planning for the seriously ill

#### **B.3. Private and Public Retirement Plan Advisory Services**

VWM will provide discretionary or non-discretionary investment advisory and portfolio management services to private and public retirement plans and plan participants. For retirement plans governed by ERISA, VWM may provide 3(21) non-discretionary or 3(38) discretionary fiduciary services. Following is a list of services VWM may provide as mutually agreed upon with the client. Such services may include a combination of ERISA 3(21) and 3(38) fiduciary services.

##### **B.3.a. Non-Discretionary 3(21) Fiduciary Services**

- *Investment Policy Statement ("IPS")*: VWM will review with Plan Sponsor the investment objectives, risk tolerance, and goals of the Plan. If the Plan does not have an IPS, VWM

will provide recommendations to Plan Sponsor to assist the Plan Sponsor with establishing an IPS. If the Plan has an existing IPS, VWM will review it for consistency with the Plan's objectives. If the IPS does not represent the objectives of the Plan, VWM will recommend to Plan Sponsor revisions to align the IPS with the Plan's objectives, which recommendations may be considered by Plan Sponsor.

- *Designated Investment Alternatives ("DIA")*: Based on the Plan's IPS, VWM will review the investment options available to the Plan and will make recommendations to assist Plan Sponsor with selecting DIAs to be offered to Participants. Once Plan Sponsor selects the DIAs, VWM will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Plan Sponsor with monitoring the DIAs. If the IPS criteria require a DIA to be removed, VWM will provide recommendations to assist Plan Sponsor with replacing the DIA.
- *Model Asset Allocation Portfolios ("Models")*: Based on the Plan's IPS or other investment guidelines established by the Plan, VWM will review the DIAs available to the Plan and will make recommendations to assist Plan Sponsor with creating risk-based Models comprised solely among the Plan's DIAs. Once Plan Sponsor approves the Models, VWM will provide reports, information and recommendations, on a periodic basis, designed to assist Plan Sponsor with monitoring the Models. If the IPS criteria require any DIA(s) to be removed, VWM will provide recommendations to assist Plan Sponsor with evaluating replacement DIA(s) to be included in the Models. Upon reasonable request, and depending upon the capabilities of the recordkeeper, VWM will make recommendations to Plan Sponsor to reallocate and/or rebalance the Models to maintain their desired allocations.
- *Qualified Default Investment Alternative ("QDIA")*: Based on the Plan's IPS or other guidelines established by the Plan, VWM will review the investment options available to the Plan and will make recommendations to assist Plan Sponsor with selecting the Plan's QDIA(s). Once Plan Sponsor selects the Plan's QDIA(s), VWM will provide reports and information, on a periodic basis and/or upon reasonable request, to assist Plan Sponsor in monitoring the QDIA(s). If the IPS criteria require a QDIA to be replaced, VWM will provide recommendations to assist Plan Sponsor with evaluating replacement QDIA(s).

#### **B.3.b. Discretionary 3(38) Fiduciary Services**

- VWM will implement the IPS by investing and reinvesting the Plan's assets consistent with the IPS.
- VWM will reallocate and/or rebalance the models to maintain their desired allocations.
- VWM will select investment options that are available under the Plan.

#### **B.3.c. Account Aggregation and Performance Monitoring Services (Plan Participants)**

VWM is offering an account aggregation service and a performance monitoring service provided by a third party whereby a client may elect to aggregate their outside assets with an existing advisory portfolio in custody at TD Ameritrade for central viewing. Further, a client may elect to have performance reporting on such outside assets. For existing clients, an amended advisory agreement may be required because the client's individual negotiated fee, although within the



posted fee schedule listed in Item 5.A.3, may be higher than the advisory fee currently in effect. Please note the outside assets are not commingled with other assets; rather, they are simply included as a separate line item in the aggregated report.

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

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

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

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

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

As of December 31, 2017, VWM manages \$121,155,834 in client assets on a discretionary basis and \$20,757,401 in client assets on a non-discretionary basis.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule for Portfolio Management Services Only

Advisory fees charged for individual investment management services are as follows:

| <u>Assets Under Management</u> | <u>Annual Fee Rate*</u> |
|--------------------------------|-------------------------|
| \$0–\$300,000                  | 1.10%                   |
| \$300,001–\$500,000            | 1.00%                   |
| \$500,001–\$900,000            | 0.90%                   |
| \$900,001–\$1,200,000          | 0.80%                   |
| \$1,200,001–\$1,500,000        | 0.70%                   |
| \$1,500,001–\$2,000,000        | 0.65%                   |
| \$2,000,001–\$3,000,000        | 0.60%                   |
| \$3,000,001–\$5,000,000        | 0.50%                   |
| \$5,000,001–\$10,000,000       | 0.40%                   |

\*Fees are negotiable.

There is a minimum portfolio management fee of \$2,500, which equates to a minimum portfolio size of \$250,000. Please note that for account values less than \$250,000, clients may be able to obtain more favorable pricing from other advisers for comparable services. VWM may, in its sole discretion, waive the minimum fee.

The advisor's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services. All fees are negotiable.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. VWM may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

Asset-based fees are always subject to the investment advisory agreement between the client and VWM. Such fees are payable monthly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Fees will be billed directly to and paid from the client's account by the custodian of the client's portfolio. Adjustments for significant contributions to a client's portfolio are prorated for the month in which the change occurs; no adjustments will be made for withdrawals.

A client investment advisory agreement may be canceled at any time by the client, or by VWM with 60 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will

be refunded to the client. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **A.2. Ongoing Portfolio Management and Financial Planning**

Some clients prefer to retain VWM's services for both ongoing financial planning advice and portfolio management. Advisory fees charged for annual retainer services and portfolio management services are as follows:

| <u>Assets Under Management</u> | <u>Annual Fee Rate*</u> |
|--------------------------------|-------------------------|
| \$0–\$200,000                  | 1.6%                    |
| \$200,001–\$300,000            | 1.5%                    |
| \$300,001–\$400,000            | 1.3%                    |
| \$400,001–\$500,000            | 1.0%                    |
| \$500,001–\$900,000            | 0.9%                    |
| \$900,001–\$1,200,000          | 0.8%                    |
| \$1,200,001–\$1,500,000        | 0.7%                    |
| \$1,500,001–\$2,000,000        | 0.65%                   |
| \$2,000,001–\$3,000,000        | 0.6%                    |
| \$3,000,001–\$5,000,000        | 0.5%                    |
| \$5,000,001–\$10,000,000       | 0.4%                    |

\*Fees are negotiable.

There is a minimum portfolio management fee of \$3,000, which equates to a minimum portfolio size of \$200,000. Please note that for account values less than \$200,000, clients may be able to obtain more favorable pricing from other advisers for comparable services. VWM may, in its sole discretion, waive the minimum account size and minimum fee.

The advisor's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services. All fees are negotiable.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. VWM may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

Asset-based fees are always subject to the investment advisory agreement between the client and VWM. Such fees are payable monthly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Fees will be billed directly to and paid from the client's account by the custodian of the client's portfolio. Adjustments for significant contributions to a client's portfolio are prorated for the month in which the change occurs; no adjustments will be made for withdrawals.

A client investment advisory agreement may be canceled at any time by the client, or by VWM with 60 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will be refunded to the client. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **A.3. Private and Public Retirement Plan Advisory Services Fees**

Fees charged for retirement plan advisory services are as follows:

| <u>Type of Plan</u>                             | <u>Annual Fee</u>   |
|---|---|
| Defined Benefit Pension Plan under \$10 million | 0.002%  |
| Defined Benefit Pension Plan over \$10 million  | 0.0015%   |
| Defined Contribution Plan                       | 0.0025%–0.005% based upon number of locations, plan and participant size, and services provided |

Retirement plan advisory services are billed quarterly in arrears. Fees are negotiable.

A retirement plan advisory agreement may be canceled by either party with 10 days' written notice. Upon termination, any earned, unpaid fees will be immediately due and payable. Charges for services completed will be prorated based on the agreed-upon fee arrangement.

#### **A.3.a. Account Aggregation and Performance Monitoring (Plan Participants) Services Fees**

VWM is offering an account aggregation and performance monitoring service provided by a third party whereby a client may elect to aggregate their outside assets with their advisory portfolio in custody at TD Ameritrade for central viewing. Further, a client may elect to have performance reporting on the outside assets. The fee for basic account aggregation is billed in arrears at 0.1% of the value of the assets at the end of the billing period. The cost for the additional performance reporting functionality is billed in arrears at 0.05% of the value of the assets at the end of the billing period. The additional fees, which can range from 0.10% to 0.15% as elected by the client, are included in the fee schedule listed in Item 5.A.3 above.

For existing clients, an amended advisory agreement may be required because the client's individual negotiated fee, although within the posted fee schedule listed in Item 5.A.3 above, may be higher than the advisory fee currently in effect. Please note that the outside assets are not commingled with other assets; rather, they are simply stated as a separate line item on the aggregated report.

## **B. Client Payment of Fees**

### **B.1. Asset-Based Fees**

VWM generally requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

VWM will not take custody or possession of client funds or securities at any time except to the extent that VWM may deduct fees directly from the client's account. VWM will deduct its advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **B.2. Private and Public Retirement Plan Advisory Services Fees**

Retirement plan advisory services are billed quarterly in arrears. Clients will be sent an invoice.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using VWM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

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

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

VWM generally requires asset-based fees to be prepaid on a monthly basis. VWM's fees will either be paid directly by the client or disbursed to VWM by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client a monthly account statement showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled at any time by the client, or by VWM with 60 days' prior written notice to the client. Upon termination, any unearned, prepaid fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

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

VWM's advisory professionals are compensated primarily through a salary and bonus structure. VWM's advisory professionals may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. VWM's advisory professionals may receive

commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

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

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

## **Item 7: Types of Clients**

VWM offers its investment services to various types of clients including individuals and high-net-worth individuals, trusts, corporations, partnerships, retirement plans, tax exempt, municipal and state governments, and other legal entities.

The minimum portfolio value required to qualify for portfolio management is \$250,000. The amount is negotiable. There is a minimum portfolio management fee of \$2,500, which equates to a minimum portfolio size of \$250,000. Please note that for account values less than \$250,000, clients may be able to obtain more favorable pricing from other advisers for comparable services. VWM may, in its sole discretion, waive the minimum account size and minimum fee.

For ongoing portfolio management and financial planning, there is a minimum portfolio management fee of \$3,000, which equates to a minimum portfolio size of \$200,000. Please note that for account values less than \$200,000, clients may be able to obtain more favorable pricing from other advisers for comparable services. VWM may, in its sole discretion, waive the minimum account size and minimum fee.



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

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

VWM uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

VWM and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to attempt the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, VWM reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. VWM may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Individual and Fixed Income Securities, and Third-Party Separate Account Managers**

VWM may recommend no-load and load-waived mutual funds and individual securities (including fixed income instruments), as well as separate account managers to manage client assets. Such management styles will include, among others, large-cap, mid-cap and small-cap value, growth and core; international and emerging markets; and alternative investments. VWM may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that VWM will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

VWM has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds and managers
- perform billing and certain other administrative tasks

VWM may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

VWM reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity. VWM will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by VWM on a quarterly basis or such other interval as mutually agreed upon by the client and VWM. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by VWM (both of which are negative factors in implementing an asset allocation structure). Based on its review, VWM will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

VWM may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other

clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. VWM will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

VWM will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

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

VWM typically invests in open-end mutual funds and exchange-traded funds for the vast majority of its clients. However, for certain clients, VWM may effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the 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 rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund 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, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

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

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.2.f. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

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

#### **A.2.g. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

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

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

#### **B.1. Margin Leverage**

Although VWM, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, VWM will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit

additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although VWM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

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

### **B.3. Short Selling**

VWM generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **B.4. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

VWM as part of its investment strategy may employ covered call writing. Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of

trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

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

There is nothing to report on this item.

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

There is nothing to report on this item.



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

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

Neither VWM nor its affiliates are registered broker-dealers and do not have an application to register pending.

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

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

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

#### **C.1. Insurance Sales**

Robert Jackway, VWM's sole member, is a licensed insurance agent. With respect to the provision of financial planning services, he may recommend insurance products and receive a commission for doing so. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance products in which the firm or its professionals receive a commission. Please also be advised that VWM strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

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

VWM does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

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

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

In accordance with the Advisers Act, VWM has adopted policies and procedures designed to detect and prevent insider trading. In addition, VWM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of VWM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of VWM. VWM will send clients a copy of its Code of Ethics upon written request.

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

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

VWM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, VWM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

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

VWM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which VWM specifically prohibits. VWM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account

- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow VWM's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

VWM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other VWM clients. VWM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of VWM to place the clients' interests above those of VWM and its employees.

## Item 12: Brokerage Practices

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

#### A.1. Custodian Recommendations

VWM may recommend that clients establish brokerage accounts with TD Ameritrade Institutional, a division of TD Ameritrade, Inc., a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although VWM may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. VWM is independently owned and operated and not affiliated with custodian. For VWM client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

VWM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by VWM, VWM will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by VWM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

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

VWM seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

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

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

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

The custodians provides VWM with access to their institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.d. Other Products and Services**

Custodian also makes available to VWM other products and services that benefit VWM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of VWM's accounts, including accounts not maintained at custodian. The custodian may also make available to VWM software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of VWM's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help VWM manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession

- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of VWM personnel. In evaluating whether to recommend that clients custody their assets at the custodian, VWM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.e. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to VWM. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to VWM.

#### **A.1.f. Additional Compensation Received from Custodians**

VWM may participate in institutional customer programs sponsored by broker-dealers or custodians. VWM may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between VWM's participation in such programs and the investment advice it gives to its clients, although VWM receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving VWM participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to VWM by third-party vendors

The custodian may also pay for business consulting and professional services received by VWM's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for VWM's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit VWM but may not benefit its client accounts.

These products or services may assist VWM in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help VWM manage and further develop its business enterprise. The benefits received by VWM or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

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

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

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

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

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

### **A.3.a. VWM Recommendations**

VWM typically recommends TD Ameritrade or First Midwest Bank as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

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

Occasionally, clients may direct VWM to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage VWM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. VWM loses the ability to aggregate trades with other VWM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

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

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

VWM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold and the amount of such securities. VWM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. VWM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, VWM seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of VWM's knowledge, these custodians provide high-quality execution, and VWM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, VWM believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

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

Since VWM may be managing accounts with similar investment objectives, VWM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by VWM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.



VWM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. VWM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

VWM's advice to certain clients and entities and the action of VWM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of VWM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of VWM to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if VWM believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

VWM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if VWM determines that such arrangements are no longer in the best interest of its clients.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by VWM's Manager. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. There are no post-plan reviews unless engaged to do so by the client.

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

VWM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how VWM formulates investment advice.

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

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by VWM.

For defined contribution plan participant accounts, the participant may elect an account aggregation and performance monitoring service as provided by a third-party service provider which includes a quarterly performance review which lists the specific percentage of appreciation or depreciation for each client portfolio. Each portfolio's performance will be compared to three comparable indices and provide a specific asset allocation analysis. In addition, all quarterly portfolio transactions will be provided for the clients' review.

## Item 14: Client Referrals and Other Compensation

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

#### A.1. TD Ameritrade

VWM may receive succession planning, practice valuation, and equity management services from third-party vendors through VWM's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, VWM may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with VWM and there is no employee or agency relationship between TD Ameritrade and VWM. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated advisers to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise VWM and has no responsibility for VWM's management of client portfolios or VWM's other advice or services to clients.

VWM's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. VWM may encourage its clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, VWM may have an incentive to recommend to clients that the assets under management by VWM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. VWM's participation in the TD Ameritrade Institutional Equity Management Program does not relieve VWM of the duty to seek best execution of trades for client accounts.

VWM also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisers participating in the program. Specifically, the Additional Services include Morningstar. TD Ameritrade provides the Additional Services to VWM in its sole discretion and at its own expense, and VWM does not pay any fees to TD Ameritrade for the Additional Services. VWM and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

VWM's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to VWM, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, VWM's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with VWM, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, VWM may have an incentive to recommend to its clients that the assets under management by VWM be held in custody with

TD Ameritrade and to place transactions for client accounts with TD Ameritrade. VWM's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

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

VWM does not pay for client referrals.

## Item 15: Custody

VWM is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account. Private fund investors will receive fund level statements of all activity, cash balances, and portfolio holdings on a quarterly basis from their qualified custodian.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to VWM with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, VWM will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

VWM does not take discretion with respect to voting proxies on behalf of its clients. VWM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of VWM supervised and/or managed assets. In no event will VWM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, VWM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. VWM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. VWM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, VWM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where VWM receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

VWM does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

VWM does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.