

**Part 2A of Form ADV: Civitas Wealth Management, LLC - Brochure**

**Item 1: Cover Page**

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July 22, 2011

**Civitas Wealth Management, LLC (“CWM” or the “Firm”) is a federally registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). Being registered as an investment adviser does not imply a certain level of skill or training.**

**This brochure provides information about the qualifications and business practices of Civitas Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at 214-572-2300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

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## **Item 2: Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated July 22, 2011 is a new document prepared according to the SEC’s new requirements and rules.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Mr. Nicholas Stone, the Advisor’s Chief Compliance Officer at 214-572-2300 or [nick.stone@civitascapital.com](mailto:nick.stone@civitascapital.com).

Additional information about the Advisor is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Advisor who are registered, or are required to be registered, as investment advisor representatives of the Advisor.



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#### **Item 4: Advisory Business**

- A. Civitas Wealth Management, LLC is a newly formed entity that is seeking application with the SEC to become a registered investment advisor. CWM is a Texas limited liability company formed on June 6, 2011. The principal owners of the Firm are Mr. Daniel Healy and Mr. Jason Barnes.
- B. The Firm will seek to manage investment capital via separate accounts and private investment funds. We will provide portfolio management services on a discretionary and non-discretionary basis per client request. We will advise on investment strategies involving the following asset classes: (i) equity; (ii) fixed-income (taxable and non-taxable); (iii) futures, options and other derivative instruments; (iv) currencies and international securities; (v) distressed securities; (vi) arbitrage; (vii) real estate and related assets; (viii) private placement of equity and debt interests; and (ix) special situations to build individual portfolios designed to provide above-market, risk-adjusted returns within a portfolio's risk tolerance level while preserving capital and maintaining low correlation to major market indices. CWM may also utilize top-tier, nonaffiliated portfolio managers along with various investment vehicles to further enhance in the diversification and return of a portfolio. CWM may act as an advisor, sub-advisor, manager, or general partner to various types of private investment funds (e.g., hedge fund, private equity), in which CWM will have discretionary and other authorities pursuant to the respective operating and management agreements.
- C. We tailor our advisory services to the individual needs of our clients. To assist our client's investment needs, we will provide the following:
  - 1. Individual Account Management – We will individually manage funds according to each client's risk profile, tolerances and expected return preferences. CWM provides several investment opportunities (see Item 8) which vary in terms of risk and expected return characteristics as well as level of client involvement in the investment decision-making process. Clients may impose restrictions on their investment portfolio(s).
  - 2. Performance Reporting – Clients will receive quarterly reports from CWM highlighting individual securities held, total return (net of all fees and expenses), and comparisons to relevant market indices in addition to the required reports provided by our third party custodians.
  - 3. Access to Money Managers – CWM's senior management meets directly with clients as requested. We encourage clients to communicate frequently with us. Clients may arrange quarterly meetings to review investment performance and their objectives. A newsletter and investment performance reports are provided quarterly.
- D. We do not participate in wrap fee programs.
- E. CWM is seeking application with the SEC to become a registered investment advisor; hence the Firm currently does not have any assets under management.



## Item 5: Fees and Compensation

- A. CWM is compensated based on the percentage of assets under management (“AUM”) and through fixed fees (other than subscription fees) for separate accounts. CWM is compensated with management and performance fees regarding private investment funds which are disclosed in each respective private investment fund private investment fund’s private placement memorandum (“PPM”). Below is a schedule of asset-based fees:

<b>Percentage of Assets Under Management Annual Fee Schedule</b>
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AUM	Applicable Fee
\$0 - \$250,000	2.00%
\$250,000 - \$500,000	1.75%
\$500,000 - \$750,000	1.50%
\$750,000 - \$1,000,000	1.25%
\$1,000,000 -	1.00%

- B. Clients may choose to deduct management fees from the assets managed or to pay management fees from funds outside their managed account. Asset-based fees are billed in advance at the beginning of each calendar quarter. Fixed fees will range based upon types of services provided.
- C. Client accounts will be subject to other third-party fees and/or expenses, which will vary based on the amount of assets managed and the types of securities in which the account is invested. These fees may include certain custodial fees, mutual fund fees/expenses and brokerage and transaction fees. Please refer to Item 12: Brokerage Practices for a more complete discussion relating to brokerage fees and expenses.

In addition, with respect to any private investment funds, those funds will typically bear the cost of all organizational expenses, as well as ongoing operational and administrative expenses relating to the investment program of any such fund. The expenses will be more fully described in the PPM and operating agreement of any such fund.

- D. Asset-based fees are billed in advance at the beginning of each calendar quarter. Fixed fees will range based upon types of service provided. CWM will refund any pre-paid fees if the advisory contract is terminated before the end of the billing period. Fee refunds are calculated on a pro-rata basis.
- E. Other than as described above, neither the Firm nor any of its supervised persons will receive any compensation from the sale of securities or other investment products.



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

CWM accepts performance-based fees as an advisor, sub-advisor, manager, or general partner to a private investment fund, as described in each individual fund's PPM and other offering documents. By managing both accounts that are charged a performance-based fee and accounts that are charged an asset-based fee simultaneously, we face a conflict of interest. We address this conflict by disclosing to all of our clients that we may recommend differing advice regarding specific investment opportunities to accounts with different fee structures and strategies.

Regarding performance fees, CWM may have an incentive to make investments that are riskier and more speculative than would be the case in the absence of a performance fee.

CWM has implemented policies and procedures to ensure that all clients are treated equitably and fairly over time. For example, there are controls regarding the allocation of scarce investment opportunities (e.g., IPOs) that dictate the fair distribution among all eligible participating accounts.

On occasion, when CWM deems the purchase or sale of a security to be in the best interests of more than one of its clients, CWM may aggregate multiple contemporaneous client purchases or sell orders into a block order for execution. Client accounts for which orders are aggregated receive the average price of such transaction, which could be higher or lower than the actual price that would otherwise be paid by such client absent the aggregation. Any transaction costs incurred in the transaction will be shared on a pro rata based on each client's participation in the transaction.



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

CWM will seek to manage investment portfolios for individuals, banking and thrift institutions, trusts, institutions, pension and profit sharing plans, charitable organizations and other entities organized as limited partnerships, limited liability companies, corporations or other types of legal entities on a separate account basis. The minimum initial account balance is \$100,000, which may be waived at the sole discretion of CWM. Acceptance of separate account management is determined on a case by case basis.

CWM may also be an advisor, sub-advisor, manager, or general partner to various types and strategies of private investment funds including but not limited to: (i) hedge funds; (ii) private equity; (iii) fund of funds; (iv) real estate and related assets; and (v) oil and gas ventures structured as limited partnerships, limited liability companies, corporations, or other types of legal entities. The minimum dollar amount of investment and client suitability is offering specific, as detailed in the respective private investment fund's PPM and other offering documents. Acceptance of a limited partner is at the sole discretion of the respective private investment fund's general partner.



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

- A. The following investment philosophy statement describes the methods of analysis and investment strategies we use in formulating investment advice or managing assets on a separate account basis. Investing in securities involves risk of loss and clients should be prepared to bear such risk of loss.

### **Investment Philosophy**

Our investment philosophy is based on traditional and strategic fundamental financial analysis incorporating tactical investment opportunities:

The following tenets guide our investment approach:

1. Asset allocation is the dominant factor in determining portfolio performance. We employ disciplined top-down/bottom-up fundamental analytics, to generate optimized allocation and volatility reflecting individual companies, sectors, and general market conditions.
2. CWM will utilize a scoring system in conjunction with our proprietary fundamental analytics to assess reallocations of assets reflecting changes in general market conditions and client profile.
3. We invest in opportunities that highlight discrepancies between internally generated intrinsic values and market prices, identifying catalysts and timing for convergence of intrinsic and market value.
4. Individual stock selection can be important but is not a dominant factor in determining portfolio performance. We buy companies for their business prospects believing this will ultimately be reflected in their stock price.
5. We recommend moderate portfolio diversification but believe excessive diversification does not necessarily add value or provide risk reduction. We maintain the weightings of individual investments within a portfolio in an attempt to achieve above market-risk adjusted rates of return.
6. Capital markets can be volatile, especially on a short term basis, due to irrational expectations and human behavior. Even though we attempt to build risk-adjusted portfolios, there is no guarantee that CWM will be able to provide above average market risk-adjusted returns.

CWM and its separate account clients develop portfolios appropriate to their respective risk profiles that are based upon one of the generic frameworks listed below:

1. Flexible Portfolios – The asset allocation mix is managed across all asset classes and investment opportunities with the goal of maximizing long-term risk adjusted returns. These portfolios are created for clients willing to accept significant short-term volatility in the pursuit of superior long-term investment performance.



2. **Balanced Portfolios** – The asset allocation mix includes an average equity exposure of 40% - 60%. These portfolios are designed for investors willing to accept a slightly diminished long-term performance expectation in exchange for smaller short-term account fluctuations and cash flows.
3. **Conservative Portfolios** – The asset allocation mix includes an average equity exposure of 20% - 40%. These portfolios are designed for investors who wish to have current cash flows, while reducing exposures and the volatility of the equity market.
4. **Client Driven Portfolios** – The asset allocation is developed accordingly to clients who want to exercise specific or complete control over certain aspects regarding the management of their portfolios. Short-term volatility and long-term performance may greatly vary depending on individual portfolio allocations.
5. **Enhanced Index Portfolios** – CWM employs passive management activates in an attempt to match a designated index. CWM will employ an additional alpha overlay in an attempt to enhance the passive management return to capitalize on disjointed market behavior. The alpha overlay may include aggressive strategies such as tactical trading and the use of leverage.

Clients may place restrictions regarding discretionary accounts managed by CWM. The client will be responsible for notifying CWM on any restriction or special consideration.

- B. Below is a discussion of the material risks involved with the significant investment strategies and methods of analysis used by the Firm.

**Market risk.** The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. A security's market value may also decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

**Issuer risk.** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's products or services.

**Concentration Risk.** Under normal circumstances, CWM will attempt to properly diversify and limit overconcentration or exposure to any position through any particular instrument for separate accounts; however this may not be the case regarding private investment funds due to the nature of their respective strategies. Higher concentrated portfolios may experience greater volatility or losses than a more diversified portfolio, based on the specific markets and valuations attributable to specific market sectors or asset classes.

**Industry Specific Risk.** Various industries are subject to risk unique to the involvements of each particular industry. These variables lead to events that may potentially have significant impact on the valuation and pricing of particular securities.

**Liquidity Risk.** Certain securities may trade less frequently than those of larger companies due to their smaller capitalizations. In the event certain securities experience limited trading



volumes, the prices of such securities may display abrupt or erratic movements at times. Additionally, it may be more difficult for CWM to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. As a result, these securities may be difficult to dispose of at a fair price at the times when CWM believes it is desirable to do so. The investments in securities that are less actively traded or over time experience decreased trading volume may restrict the Firm's ability to take advantage of other market opportunities or to dispose of securities.

As witness in the 2008 global financial crisis markets in general are susceptible to liquidity events across all asset classes.

**Reliance on the Advisor.** CWM's ability to achieve clients' and private investment funds' investment objectives is dependent on its ability to identify profitable investment opportunities.

**Other.** CWM does not actively manage cash in regards to its separate accounts. Excess cash in a portfolio will be invested in accordance with the client's instructions. Excess cash in private investment funds will be managed in accordance with the respective private investment fund's PPM and other offering documents.

C. Not Applicable.



**Item 9: Disciplinary Information**

There are currently no legal or disciplinary events that are material to a client's or prospective client's evaluation of CWM's advisory services or the integrity of management.

CWM, nor any of its affiliates and their respective principals, senior management, and associated persons have ever been disciplined or sanctioned by any regulatory, self-regulatory, state agency or organization.



## Item 10: Other Financial Industry Activities and Affiliations

- A. The Firm is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the CWM are registered representatives of a broker-dealer.
- B. Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.
- C. Below is a list of related persons of CWM, as well as a description of their primary businesses:
  - 1. Civitas Capital Management, LLC (“CCM”) - qualifies and invests in EB-5 investments on behalf of foreign nationals who commit investments from \$500,000 to \$1,000,000. The EB-5 program allows foreign investors to acquire U.S. citizenship by creating a given set number of jobs for the region specific to Dallas.
  - 2. Civitas Alternative Investments, LLC (“CAI”) - is a fund of funds, drawing upon the experience of its management to achieve appropriation with the best probability of success.
  - 3. Civitas Securities, LLC (“CS”) - in the process of purchasing a FINRA-member firm for the purpose of trading in certain types of securities, as well as earning fees in connection with selling private investment fund interest and investment banking transactions.

The principals of the Firm, Mssrs. Healy and Barnes, are principals of each of the above listed businesses. It is anticipated that the Firm and its clients may conduct business with each of these business, which creates a conflict of interest given that shared ownership. This conflict will be addressed by providing appropriate client disclosure of any such business relationships, as well as ensuring that the terms of all such relationships shall be no less than commercially reasonable and competitive with amounts that would be paid to third parties on an “arms-length” basis. Currently, CWM employees share office space with CCM, but will move to a separate physical location in late 2011 or early 2012.

CWM is a sub-advisor to a private investment fund managed directly by CCM, which invests in short term taxable fixed income securities.

All of these firms are under common control and as such are considered affiliates. Additionally, they may share employees and certain services.

- D. CWM does not receive compensation from other investment advisors to whom it recommends or selects for its clients. As discussed above, the Advisor does invest client assets with other investment advisors.



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

- A. The Firm maintains a Code of Ethics pursuant to SEC rule 204A-1(the “Code”) that all employees must adhere to as a condition of employment. The Code includes information on the Firm’s fiduciary duty to its advisory clients, prohibited acts, privacy of information, disclosure to advisory clients of actual and potential conflicts of interest, the use of disclaimers, suitability of investment advice, prohibition of insider trading, and limitation on trading in personal accounts.

Each employee has access to the Firm’s Code and has signed an acknowledgement of receipt of the Code. Annually each employee must acknowledge their understanding and adherence to the Code, as well as provide to the Chief Compliance Officer a list of all brokerage accounts and holdings for which the employee has beneficial interest or control. The Chief Compliance Officer receives and reviews original duplicate brokerage confirmations and statements from employee covered accounts.

Violations of the Code could result in sanctions or possibly termination of employment.

The Firm will provide a copy of the Code to any client or prospective client upon request.

- B. CWM may refer proprietary affiliated investment funds to its clients, which creates a conflict of interest. CWM will address this conflict by disclosing the affiliation to clients, including the fact that an affiliate of CWM may have a material financial interest in the product.
- C. The Firm and/or its related persons may invest in the same securities that are recommended by CWM to its clients. This creates a conflict of interest with respect to matters including, but not limited to, allocation of client transactions, trading best execution, and front-running of client transactions. To address these conflicts of interest, the Firm has implemented policies and procedures to monitor client and employee trading activity to ensure that clients are treated fairly. In addition, the Firm will disclose such conflict of interest to its clients.
- D. The Firm may recommend securities to its clients, or buy or sell securities for its client accounts, at or about the same time that the Advisor or its related persons buys or sells the same securities for their own accounts. This creates a conflict of interest with respect to matters including, but not limited to, allocation of client transactions, trading best execution, and front-running of client transactions. To address these conflicts of interest, the Firm has implemented policies and procedures to monitor client and employee trading activity to ensure that clients are treated fairly. In addition, the Firm will disclose such conflict of interest to its clients.



## Item 12: Brokerage Practices

- A. **Broker-Dealer Selection and Commissions.** Generally, under an investment advisory agreement, CWM has broad authority to select broker-dealers and to negotiate commissions with those broker-dealers with a fiduciary duty to seek best execution when it places trades with CWM approved broker-dealers.

The Firm will seek best execution for a given client trade so that total costs or proceeds in the transaction are the most favorable under the circumstances.

In selecting a broker-dealer for a particular transaction, the Firm will evaluate and consider the commission rate to be charged by the broker-dealer and other factors. CWM considers the full range of qualities of a broker-dealer's services in placing brokerage though trade price is often a more significant quantitative factor in best execution of a particular trade. CWM should consider whether a broker-dealer can provide the best qualitative execution including but not limited to the following factors: (i) execution capability; (ii) commission rate; (iii) financial responsibility; (iv) reputation; (v) responsiveness to the advisor; (vi) value of research provided; and (vii) ability to engage in block transactions with attendant volume discounts. Thus, the determinative factor should not be the lowest possible commission cost alone. Where multiple competing markets exist for listed stocks, the Firm should ensure that the transaction is executed through the best market (or best market maker).

The Firm will also consider the additional factors when placing a trade for a client with a particular broker-dealer:

- The ability of the executing broker-dealer to maintain the confidentiality of all proprietary position information provided;
- The range of services offered by the executing broker-dealer, including the range of markets and products covered, quality of research services provided and recommendations made by the executing broker-dealer;
- The quality and timeliness of market information provided by the executing broker-dealer; and
- The executing broker-dealer's ability and willingness to allocate shares of desirable initial public offerings;

For derivative transactions, the following factors will also be taken into consideration regarding the prospective counterparty:

- The range of derivative products offered by the counterparty;
- The operational expertise of the counterparty in providing confirmation, documentation, timely settlement and ongoing operational support for derivative products;
- The terms and appropriate documentation of the derivative transaction products offered by the counterparty;



- The counterparty's financial responsibility;
- The availability of the particular derivative product; and
- The counterparty's credit worthiness.

**Periodic and Systematic Review.** The SEC has stated that investment advisors should periodically and systematically evaluate the trade execution performance of broker-dealers' securities transactions.

CWM has designated certain individual personnel (the "Best Execution Committee") to review on a semi-annual basis the quality of executions and the value of other services received from broker-dealers. Prior to its meetings, the Best Execution Committee will receive from the Chief Compliance Officer information and data from the broker-dealers concerning their best execution policies and procedures and the quality of their actual executions, as reported under Exchange Act Rule 11 Article-5 and Article-6. The Chief Compliance Officer will be responsible for documenting the results of Committee reviews, conveying such broker-dealers' information and data to the Chief Executive Officer and CWM's Best Execution Committee, and document and notify any change to CWM's policies and procedures for directing brokerage orders.

The Firm will continually monitor and evaluate broker-dealer execution performance by, among other things, reviewing commission summaries and transaction reports. From time to time, quantitative performance data about broker-dealers may be acquired from third party evaluation services to assist the review process.

Periodically, the Firm shall review records on the trade reporting system and compare the prices obtained in the trades with historical prices in the relevant markets.

1. **Soft Dollars.** CWM manages accounts on a discretionary basis, subject to client-imposed limitations and goals. When managing an account on a discretionary basis, CWM generally determines which securities are to be purchased or sold, the amount of the securities to be purchased or sold, the amount of commission to be paid, and the broker-dealer to be used. CWM's primary consideration in selecting a broker-dealer is its ability to provide the most favorable price and execution under the circumstances.

The Firm may also allocate brokerage business based, in part, upon the ability to make payment with "soft" or commission dollars for products or services utilized for the benefit of its clients and/or the Firm such as Bloomberg, LLC. CWM may, therefore, use a broker-dealer which provides useful research and securities transaction services even though a lower transaction cost could be incurred by using a broker-dealer which offers limited research services and minimal securities transactions assistance. CWM will generally consider the aforementioned factors and services as they relate to its portfolio management capabilities generally as opposed to a particular client account.

There is an inherent conflict of interest in seeking best execution when CWM directs brokerage business to certain broker-dealers who assist in the payment of research related products and services. To mitigate this conflict, CWM reviews its broker-



dealers for best execution on a regular basis by analyzing the actual execution price versus various benchmarks such as the volume weighted average price (VWAP).

Research and brokerage related products and services received by CWM from soft dollar arrangements may be useful in servicing some or all of CWM's clients, and not all or any of such product or service may be useful for the account for which the particular transaction is effected. Some soft dollar services and products provided may be used for both research and non-research purposes. Under these circumstances, an appropriate allocation is made of the proportion of the cost attributable to non-research purposes, which is paid directly by CWM.

Utilizing client commissions for soft dollar payments for research and brokerage products and services benefits the Firm because it reduces its expenditures for those items that the Firm would have to incur without the use of soft dollars. As mentioned, this may also conflict with seeking best execution for client transactions as it creates an incentive to trade with those broker-dealers that do provide directly or indirectly soft dollar research or other products and payments.

Currently, all soft dollar products and services are eligible under the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934.

2. **Client Referrals.** The Firm does not consider client referrals in selecting or recommending broker-dealers to its clients.
  3. **Directed Brokerage.** Under certain circumstances clients may direct CWM to use certain broker-dealers. All such directed brokerages must be received in writing from the clients. While this may relieve CWM of certain best execution considerations, each directed brokerage arrangement must be evaluated as to whether CWM has any discretion in the investment or order entry process that may still require a best execution analysis. Any letter or instruction directing CWM to use one or more broker-dealers must disclose, among other information, any conflicts of interests involved and that the client may give up benefits of better pricing or lower commission that might otherwise be available through participation in bunched orders. Directed brokerage arrangements involving ERISA plan assets must be to procure goods, services, or rebates for the benefit of the ERISA plan paying the commissions.
- B. **Order Bunching.** CWM, as a matter of policy, combines or bunches orders for execution. If orders are executed in a series of trades, rather than as a block, the trades generally are posted to clients' accounts at the average price. Proprietary accounts of CWM and those of CWM personnel may participate in such orders in accordance with our policies and procedures on allocation of investment opportunities and trades. These bunched or block trades can result in lower transaction costs than if the Firm placed multiple single orders.
- The Firm will place securities orders for two or more clients for the same security in accordance with its securities orders aggregation procedures. The Firm, in advance of placing an aggregated order, will either:
- Designate the number of shares of the aggregated order to be allocated to each specific client account; or



- Make a pro rata allocation of the shares to each client account based upon account size.

The Firm may make exceptions to its trade allocation procedures under the following circumstances:

- Specialized accounts receive priority. For example, an emerging market's private fund managed by the Firm would receive first right to an opportunity to purchase a limited number of shares of an emerging market's company; and
- A client account will not receive its pro rata allocation of shares if the total number of shares is below a de minimis amount (e.g., 10 shares). These shares would be reallocated to larger client accounts.



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

### **A. Review of Accounts**

#### **Separate Accounts**

Documentation regarding each client's investment objectives, restrictions, and guidelines is reviewed by the respective Managing Director regarding separate accounts. Such documentation will generally be in the form of a schedule or exhibit with the investment management agreement.

Each account's portfolio is regularly monitored by the respective Managing Director regarding separate accounts. Before any investment is added to the portfolio, the respective Managing Director regarding separate accounts determines if it is within the investment parameters of the account. The respective Managing Director regarding separate accounts, with support from operational personnel, monitor and reconcile the cash and trades on a daily basis. The respective Managing Director regarding separate accounts reviews on at least an annual basis the investment objectives, investment restrictions, risk tolerances, and portfolio structure guidelines of the account. All of the previously mentioned tasks are a part of the respective Managing Direction's daily review. The Chief Compliance Officer reviews accounts on at least a quarterly basis for prohibited trading activities.

#### **Private Investment Funds/Accounts**

Documentation regarding each client's investment objectives, restrictions, and guidelines is reviewed by the portfolio manager or a member of his/her team. Such documentation will generally be in the form of a schedule or exhibit with the private placement memoranda for private investment funds.

Each private investment fund's portfolio is regularly monitored by the portfolio manager or a member of his/her team. Before any investment is added to the portfolio, the portfolio manager determines if it is within the investment parameters of the account. A member of the portfolio management team, with support from operational personnel, monitors and reconciles the cash and trades on a daily basis. The portfolio manager or a member of his/her team reviews on at least an annual basis the investment objectives, investment restrictions, risk tolerances, and portfolio structure guidelines of the account. For private investment funds managed by CWM, the portfolio manager and/or a member of the portfolio management team monitors trading for consistency with the private investment funds' investment objectives, investment restrictions, and portfolio structure guidelines, as set forth in their offering documents. The Chief Compliance Officer reviews accounts on at least a quarterly basis for prohibited trading activities.

B. See response to A. above.

### **C. Reporting**

Clients will receive quarterly reports from CWM highlighting individual securities held, total return (net of all fees and expenses), and comparisons to relevant market indices in addition to the required reports provided by our third party custodians.



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

- A. No persons other than the Advisor's clients provide an economic benefit to the Advisor for providing investment advice or other advisory services to its clients.
- B. CWM may pay for client referrals. Any such arrangement will be conducted in compliance with all applicable laws and regulations.

All referral fee arrangements must be reviewed and approved by the Chief Executive Officer and Chief Compliance Officer. Before approving any such arrangement, the Chief Compliance Officer will be responsible for monitoring that CWM has performed: (i) a background check to include proper licensing of the solicitor; (ii) CWM has entered into a solicitation agreement with the solicitor; (iii) CWM's Form ADV, Part 2, properly describes CWM's use of and payments to solicitors; and (iv) clients have received disclosure documents and returned the signed acknowledgement of receipt for those documents. The Chief Compliance Officer will periodically review CWM's solicitation arrangements to monitor solicitors' compliance with their contractual commitments. No solicitor will receive payment without a disclosure statement signed by the client on file.



## **Item 15: Custody**

CWM are not custodians and do not hold client assets and hence do not provide monthly or quarterly account statements, as appropriate, or trade confirmations to separate account holders or to limited partners in private investment funds that CWM manages, advises, sub-advises, manages, or is general partner.

A qualified custodian, either a bank or broker-dealer, maintains separate accounts' and/or private investment funds' securities and cash. The qualified custodian provides monthly or quarterly statements, as appropriate, and trade confirmations, sent directly to clients that maintain separate accounts and to the respective private investment fund CWM advises, sub-advises, manages or is general partner.

In addition to the statements provided by the qualified custodian to clients that maintain separate accounts, CWM will issue quarterly performance reports directly to said clients. Please review these custodial statements carefully and compare them to the reports sent by CWM. Minor differences may occur due to accounting policies and pricing sources.

Clients in the private investment funds will receive unaudited quarterly performance reports and market updates directly from CWM.



## **Item 16: Investment Discretion**

CWM accepts discretionary authority to manage securities on behalf of clients. See Item 8 regarding limits clients may place on this authority. We receive a limited power of attorney (also called a trading authorization) to buy or sell securities for the client's account.

CWM may manage clients' assets on a discretionary and non-discretionary basis. As a fiduciary, CWM must formulate investment strategies on behalf of each suitable separate account.

As a discretionary investment manager, CWM implements such strategies by making decisions as to which securities to buy and sell, when to buy and sell, and in what amounts to buy and sell. CWM's discretion is both guided and circumscribed, however, by clients' investment objectives, any account restrictions, and allocation guidelines, if any. Private investment funds managed by CWM have their own investment guidelines, as set forth in their respective PPMs and governing documents of the private investment fund.

Generally, under a written investment advisory agreement, CWM is granted broad authority to determine the type and amount of securities to be bought and sold, as well as the timing of such purchases and sales for a client account.

It is the Firm's policy to obtain, in writing, each client's investment objectives and restrictions and to periodically review each client's investments for consistency with that client's investment objectives and restrictions.

Every Advisory Agreement generally must contain:

- A description of the services to be provided (especially whether services are discretionary or non-discretionary);
- Acknowledgement of receipt of Form ADV Part 2A prior to or at the time of signature;
- A set of investment guidelines, showing the investment approach to be taken and any required restrictions, which states clearly whether such restrictions apply "at the time of purchase" only;
- The fees to be charged, and when they are due (debiting of fees directly)
- The Advisory Agreement may not be "assigned" (as that term is defined by the Advisors Act or the Company Act) by either party without consent of the other;
- Some form of indemnification of CWM by the client, which is clear and unambiguous;
- A statement as to whether CWM will vote proxies;
- A representation from the client that its relevant governing documents authorize the retention of CWM, along with a certificate of the client's secretary (or equivalent individual) attesting to the incumbency of the officer of the client who executed the Advisory Agreement, which will also list persons authorized to give instructions for the client portfolio, along with sample signatures;



- Any specific procedures for dealing with client complaints - absent such procedures, CWM's standard Client complaint process should be adhered to;
- A disclaimer that aids a client's understanding of the Advisory Agreement and CWM's responsibilities by making it clear that CWM does not guarantee performance.



## **Item 17: Voting Client Securities**

CWM acts in a fiduciary capacity with each of its clients (including private investment funds); therefore, CWM must act to maximize the value of the accounts under its investment management. Each proxy proposal is reviewed on a case-by-case basis by CWM's Chief Executive Officer.

To the extent that the Firm has discretion to vote proxies for a client, the Firm's policy is to vote against any management proposals that it believes would prevent companies from realizing their maximum market value or would insulate companies and/or their managements from accountability to shareholders or prudent regulatory compliance. Voting will be executed in accordance with the procedures outlined below (as applicable). Clients may retain discretionary authority to vote proxies at any time by notifying CWM in writing.

CWM will generally adhere to the following procedures (subject to limited exception):

- Receipt of proxy materials: CWM receives proxy materials from issuers, qualified custodians, or broker-dealers regarding any securities that are held in client accounts through the mail.
- Voting decisions: the Chief Executive officer has responsibility for reviewing proxy materials and for deciding how to vote on each issue or initiative.
- Records of Votes Cast: A written record of each proxy voted on by the Firm will be recorded and maintained for the requisite period as outlined by the SEC. The Chief Compliance Officer or his designee creates a spreadsheet that shows each security, which votes were cast, number of shares voted, and how they were voted on each issue or initiative. The spreadsheet is maintained and updated to show such information for each proxy received throughout the year.
- The Chief Compliance Officer or designee will call a meeting of appropriate officers and/or employees (collectively referred to as "Proxy Voting Committee") on an as needed basis.
- Client requests for votes: if a client requests that their proxies be voted in a specific way on a specific issue, the Chief Executive Officer or his designee will advise the client that such request cannot be accommodated.
- Prior to voting any proxies, if a conflict is identified, the Proxy Voting Committee will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not.
- If no material conflict is identified pursuant to these procedures, the Proxy Voting Committee will make a decision on how to vote the proxy in question in accordance with the guidelines set forth. The internal proxy administrator will deliver the proxy in accordance with instructions related to such proxy in a timely and appropriate manner.
- Any CWM personnel who has a direct or indirect pecuniary interest in any issue presented for voting or any relationship with the issuer must so inform the Chief



Executive Officer and Chief Compliance Officer in writing and recuse himself or herself from voting decisions on such proxies.

- Client requests for voting records: Clients may request information on how their proxies were voted. The portfolio manager or a member of his/her team or the respective Managing Director regarding separate accounts will notify the chief Compliance Officer if he or she receives such request. The Chief Compliance Officer will respond to such requests showing how client shares were voted on particular issues. The Chief Compliance Officer will maintain copies of all such requests and responses.

**Conflicts of Interest.** CWM must act as a fiduciary when voting proxies on behalf of its clients. Accordingly, CWM will seek to avoid possible conflicts of interests with proxy voting. Where CWM identifies a potential conflict of interest (such as if CWM or CWM personnel were affiliated or associated with the issuer or CWM was to hold the issuer's securities on a proprietary basis) CWM will initially determine whether such potential conflict of interest is material.

Where CWM determines there is a potential for a material conflict of interest regarding a proxy, CWM will take one or some of the following steps:

- Inform the client of the material conflict of interest and of CWM's voting decision
- Discuss the proxy vote with the client
- Fully disclose the material facts regarding the conflict of interest and seek client consent to vote the proxy as intended
- Seek the recommendations of an independent third party

CWM will document the steps it took to evidence that the proxy vote or abstention was in the best interest of the client and not of any material conflict of interest. Such documentation will be maintained in accordance with required recordkeeping procedures.

**Voting Guidelines.** In the absence of specific voting guidelines mandated by a particular Managed Account, the Firm will endeavor to vote proxies in the best interests of each client.

Although voting certain proxies may be subject to the discretion of the Firm, the Firm is of the view that voting proxies in accordance with the following general guidelines is in the best interests of the clients.

The Firm will generally vote in favor of routine corporate housekeeping such as the selection or reappointment of auditors.

The Firm will generally vote against proposals that:

- Limit shareholder democracy, making it more difficult to replace members of the issuer's board of directors or board of managers (i.e. indemnification protections for directors or officers)
- Introduce unequal voting rights (although there may be regulatory reasons that would make such a proposal favorable to certain clients).



**Disclosure of Policies and Procedures, Voting Record.** CWM will further provide a copy of the proxy voting policies and procedures to any client upon request.



**Item 18: Financial Information**

- A. CWM generally requires prepaid of quarterly fee, based on the prior quarter's average assets under management. Because CWM does not require or solicit prepayment of more than six months or more in advance, there is no requirement to provide a balance sheet for the most recent fiscal year.
- B. In accordance with Rule 206(4)-4 of the Investment Advisors Act of 1940 ("Advisors Act"), CWM is required to provide to current and prospective clients material information regarding certain financial matters. At this time, the Firm has no material financial information that requires disclosure.
- C. The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.