

# 1 Cover Page

FIRST WESTERN SECURITIES, INC.



ADV PART 2A  
REGISTERED INVESTMENT  
ADVISOR BROCHURE

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[www.firstwesternsecurities.com](http://www.firstwesternsecurities.com)  
Member: FINRA/SIPC  
Registered Investment Advisor

This brochure provides information about the qualifications and business practices of First Western Securities, Inc. and our Investment Advisory Accounts. If you have any questions about the contents of this brochure, please contact us at the number/location listed above. 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 First Western Securities, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment advisor does not imply a certain level of skill or training.

The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency, and involves risk, including the possible loss of principle.

## 2 Material Changes

First Western Securities, Inc. is no longer eligible for SEC registration due to the revised requirements contained in the Frank-Dodd Wall Street Reform and Consumer Protection Act of 2010. First Western Securities is seeking registration with the various states in which it does business and is required to register.

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## **4 Advisory Business**

### ***4.A Description of Our Advisory Business***

First Western Securities, Inc. (“FWS”) provides fee-based investment advisory services. FWS has been providing investment advisory services since 2002. FWS has been registered with the Securities and Exchange Commission since August 7, 2009. The advisor currently has seven (7) individuals registered as investment advisors operating in 3 branch offices. As of December 31, 2011, FWS provided advisory services on a discretionary basis to \$47.7 Million of assets under management.

FWS is owned by Randal Ferguson. FWS is also registered as a brokerage firm with the Securities and Exchange Commission and as such, is a member of FINRA and the SIPC.

### ***4.B Types of Services We Offer***

FWS primarily provides portfolio management services and will not provide securities custodial or other administrative services. At no time will FWS accept or maintain custody of a client’s funds or securities.

The advisor’s primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The advisor uses exchange listed securities, over-the-counter securities, foreign securities, warrants, corporate debt securities, CDs, variable life insurance, variable annuities, municipal securities, mutual funds, United States government securities, options in securities, and Interest in partnerships investing in real estate and oil and gas interests to accomplish this objective. FWS will manage accounts with discretionary authority, in which the advisor can buy or sell securities in the client’s account without prior authorization from the client or on a non-discretionary basis, in which the advisor will obtain specific authorization from the client prior to buying or selling any security on behalf of the client.

In specific situations, the client may request investment advice that involves consultation or reviews of their financial situation and investments without obtaining management or supervisory services and outside of any formal financial plan.

FWS has made arrangements with other investment advisory firms to act as a solicitor for advisory clients. Based on our review of a client’s situation, FWS may determine that the 3<sup>rd</sup> party money-manager would provide the most benefit to the client. Potentially, this can lead to a conflict of interest between the client and FWS, since we will receive a portion of the advisory fees from the 3<sup>rd</sup> party manager, but not provide direct advisory services to the client. Clients should carefully review any recommendations to use a 3<sup>rd</sup> party money manager and request that their advisory representative explain the rationale for referring them to a 3<sup>rd</sup> party.

#### ***4.C Tailoring Our Services***

The advisor practices custom management of portfolios according to the client's objectives. Your advisory representative shall obtain information from you that will be used establish and manage your investment portfolio. This information includes your current financial status, your investment objectives, and your risk tolerance. Any client may inform us in writing of any specific restrictions involving securities or types of securities that are either to not be sold or not be purchased in their account. For example, a client may restrict us from selling a position that is transferred into an advisory account or restrict us from purchasing any security issued by a company that is involved with gambling, tobacco, or alcohol. FWS will honor any written restriction we obtain from a client.

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

FWS does not offer a wrap fee program at this time.

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

As of December 31, 2011, FWS had \$47,390,883 of assets under management that were being managed on a discretionary basis.

## 5 Fees and Compensation

### 5.A Charges for Services

#### Asset Management Fees

Pursuant to an investment advisory contract signed by each client, the client will pay FWS a monthly or quarterly Management Fee, payable in advance, based on the amount of the assets to be managed by the advisor as of the opening of business on the first business day of each month or quarter. The fee schedule is in the range of 1% to 2.50% of assets under management, but not to exceed 3%.

Account/s Value			Recommended Annual Fee (billed quarterly or monthly in advance not to exceed 3% )	
\$25,000	to	\$125,000		2.50%
\$125,001	to	\$250,000		2.25%
\$250,001	to	\$500,000		2.00%
\$500,001	to	\$1,000,000		1.50%
\$1,000,001	to	\$2,000,000		1.00%
\$2,000,000	to	Above		Negotiated

These fees may be negotiated by the advisor under unusual circumstances, at the sole discretion of the advisor.

FOR CALIFORNIA CLIENTS: You are hereby advised that lower fees for comparable services may be available from other sources.

### 5.B How Fees Are Paid

FWS offers clients the option of paying advisory fees by either deducting the fees from the account(s) under management or by FWS directly invoicing the client for advisory services. If the client elects to pay fees by deduction from their account(s) ("automatic payment arrangements"), a separate authorization for this arrangement will be included in the advisory contract. FWS will send the client a form showing the computation of the fee to be deducted, with the statement that no payment is due from the client, at the same time the deduction instruction is sent to the custodial broker. The custodial broker will furnish the client a statement showing the fee deducted.

If the client elects to be directly invoiced by FWS, an invoice will be sent at the beginning of the billing period showing how the fee was computed and the amount due. The client will need to remit payment directly to FWS by check or transfer.

The method of payment, either by direct invoicing or automatic deduction and the frequency of advisory fee payment (quarterly or monthly) will be selected by the client at the time the advisory contract is made.

## ***5.C Other Fees and Expenses***

**Mutual Fund and Variable Annuity Charges:** Although FWS usually purchases advisor class mutual fund shares that do not pay brokerage compensation, it is possible that some funds may not offer these types of mutual fund shares. If the funds other features are compelling, FWS may purchase these types of fund shares. If the sponsor also imposes sales charges, a client may pay initial or deferred sales or surrender charges. A client has the option to invest in these products directly, without the brokerage services that are also provided by FWS. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by FWS to fully understand the total fees to be paid.

Clients are responsible for all custodial and securities trading fees charged by the custodian and executing broker-dealer. Typically, clients will be charged a \$25.00 ticket charge by the executing broker for each trade. The Advisors fee is separate and distinct from the custodian and brokerage fees. Advisory clients typically do not pay usual brokerage commissions on securities trades done in their advisory accounts.

## ***5.D Refunds of Fees Charged in Advance***

Clients may request to terminate their advisory contract with FWS, in whole or in part, by providing advance written notice. Upon termination, any fees paid in advance will be prorated to the date of termination and unearned fees will be refunded to the client on a pro rata basis. For example, a client that is charged \$1,000 at the beginning of a quarter terminates the advisory contract 30 days later. The client would paid a refund of \$667.00, which is the amount of advisory fees not earned by FWS and computed as follows:  $\$1,000 \times (60/90)$ , where 60 days are the remaining period that should not be charged and 90 days covers the period that was billed for.

## ***5.E Mutual Fund Fees***

As mentioned in Section “C” above, mutual funds may be recommended as part of a client’s portfolio. All fees charged by FWS for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders and the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund’s or variable product’s prospectus. These fees will generally include a management fee and other fund expenses. This can create a situation in which the client is paying FWS for personal investment advice and also paying a mutual fund manager their separate fees for managing the mutual fund.

While we strive to purchase “advisor class” mutual fund shares, which pay no commissions to the advisory reps, this may not be possible in all cases. If we do recommend that you invest in a mutual that pays brokerage compensation to the advisor, please be aware that:

1. The additional compensation creates a conflict of interest between you and your advisor, as the compensation creates an incentive for the advisor to recommend the product to you. FWS will not purchase a mutual fund that will charge sales commission without discussing the transaction with the client prior to making the purchase. Again, most mutual funds offer advisor class shares that do not pay brokerage compensation and we will typically select those shares if we recommend mutual funds to our clients.
2. Investment Advice does not have to be done through our brokerage firm. If an FWS advisor recommends the purchase of a mutual fund that involves sales charges to the client, the client may elect to use another brokerage firm to purchase the mutual fund or perform the transaction directly with the mutual fund.
3. FWS advisors do not receive more than 50% of their compensation from brokerage commissions on trades executed on behalf of FWS advisory clients.
4. FWS does not usually charge brokerage commissions on securities trades done for advisory clients. The custodial broker will usually charge ticket charges of \$25.00 per trade for each buy or sell of securities for FWS advisory clients.

Commission:

Currently, all of FWS advisors are also registered as brokerage representatives with FWS. As registered representatives, employees of FWS may receive separate yet typical compensation in the form of commissions for the purchase of securities products through their employing brokerage firm, as well as for the sale of insurance products. This arrangement creates a conflict of interest between the advisor and the client, as the advisor has a financial incentive to trade more frequently in the advisory client’s account. FWS manages this conflict of interest by typically not charging brokerage commissions on transactions done for advisory clients.

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

FWS does not charge performance fees. FWS advisors do provide brokerage services to clients that are not advisory clients. FWS does not engage in principal trading, underwriting, or market making, so this arrangement does not create material conflicts of interest between advisory clients and clients that only brokerage clients of the FWS representative. FWS will occasionally make use of other advisory firms in a solicitation or co-management situation.

## **7 Types of Clients**

FWS provides investment advice to individuals, corporations, profit sharing plans, institutions or business entities other than those listed above. The overwhelming majority of our clients are individuals. Some of these individuals are considered to be “high net worth individuals”, but FWS does not specifically market to or target our services to high net worth individuals. FWS

does not have an established minimum amount of assets under management for establishment of an advisory relationship. Generally, it is not in the client's best interest to establish an advisory relationship with less than \$25,000 and we state that fact to any potential client with less than \$25,000 to place under management.

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

The advisor practices custom management of portfolios according to the client's objectives. The advisor's primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The primary risk of this strategy is that the tactical allocation may diverge from strategic market direction or trends. A secondary risk that sectors or asset classes that receive our tactical allocations do not perform as anticipated. FWS investment strategy does not involve unusual types of risks. Our primary investment methodology will expose the client to market risk, economic risk, and volatility risk. We normally are able to eliminate or minimize interest rate risk, liquidity risk, and issuer risk.

The advisor uses exchange listed securities, over-the-counter securities, foreign securities, warrants, corporate debt securities, CDs, variable life insurance, variable annuities, municipal securities, mutual funds, United States government securities, options in securities, and Interest in partnerships investing in real estate and oil and gas interests to implement the tactical allocations.

If mutual funds are used to implement the tactical allocation, the advisor measures and selects mutual funds by using various criteria, such as the fund manager's tenure, and/or overall career performance. The advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client's risk tolerance.

While FWS seeks to maximize return at acceptable levels of risk, all investing involves some risk, including the risk of losing of some or the entire invested principal.

## **9 Disciplinary Information**

In July of 2007, FWS was notified it failed to properly file the U4's with the Texas State Securities Board for registration of Investment Advisor Representatives. FWS was also found to have failed to properly maintain its Written Supervisory Procedures regarding the activities of its Investment Advisor Representatives. FWS amended its Supervisory Procedures and was reprimanded and fined \$8000.00.



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

### ***10.A Broker – Dealer Affiliation***

The principal business of FWS is as a broker dealer by the same name, First Western Securities, Inc., a FINRA member broker-dealer. FWS spends 80% of its time on broker-dealer business. All Investment Advisor Representatives for FWS are also registered representatives with First Western Securities, Inc. As discussed previously, advisory representatives will receive brokerage compensation in the form of commissions for securities trades done through FWS. Advisory clients do have the option of implementing advisory recommendations through another broker.

### ***10.B Commodity Business Affiliation***

FWS does not have affiliations with commodity pool operators, futures commission merchants, or commodity trading advisors. FWS has no plans to register in any of these capacities.

### ***10.C Other Material Business Relationships***

FWS has material business relationships with insurance companies. FWS is a registered independent insurance agency. Investment Advisor Representatives for FWS have the ability to sell life, health and long term care insurance products and will spend approximately 10% of their time on insurance related business. Therefore, they will be able to purchase insurance products for any client in need of such services and will receive separate, yet typical compensation in the form of commissions for the purchase of insurance products. In such instances, there is no advisory fee associated with these insurance products. Clients are not obligated to use FWS for insurance products services.

### ***10.D Solicitation for Other Advisors***

Currently, FWS has solicitation arrangements with Wells Fargo Advisors, LLC. Solicitation arrangements mean that the Client will then enter into an advisory agreement with a third party money manager, authorizing them to assist and advise the client in establishing investment objectives and develop an investment strategy to meet those objectives by identifying appropriate investments and monitoring such investments. The third party money manager will receive an investment advisory fee in accordance with the arrangement that the client enters into with the solicited advisor.

FWS will receive a portion of the investment advisory fee for the solicitation and referral of the client to the third party manager, and may assist the client in completing their client questionnaire and account opening paperwork. The client will not pay additional fees for the solicitor's services. FWS may also assist in the development of the initial policy recommendations and managing the ongoing client relationship.

This creates a conflict of interest between the client and FWS, due to FWS receiving compensation from a 3<sup>rd</sup> party, without performing direct services for the client. In the event that

the FWS advisor recommends the use of a 3<sup>rd</sup> party money manager, the client is urged to carefully evaluate the reasons for the recommendation. As a general practice, it is rare for FWS to recommend the use of any 3<sup>rd</sup> party advisor.

The Client, prior to entering into an agreement with a third party money manager selected by FWS, will be provided with that manager's Form ADV Part 2 or a brochure that makes the appropriate disclosures. The client shall also be provided with a solicitation disclosure by FWS and the third party manager.

**FOR CALIFORNIA CLIENTS:**

FWS will verify that any 3<sup>rd</sup> party advisor we solicit for a California Resident shall be registered to conduct advisory business in California by either notice filing or direct registration.

## **11 Code of Ethics**

FWS maintains a code of ethics and they will provide a copy to any client or prospective client upon request.

FWS Registered Representative of the broker, when acting in the capacity of investment advisory representatives of FWS may as broker or agent to effect securities transactions for advisory clients and may receive typical and customary compensation. Clients are not obligated to use advisory representatives of the FWS to execute securities transactions in their advisory account(s).

As described above, First Western Securities, Inc. (which is an affiliated broker dealer) acts as an introducing broker for clients of FWS to First Clearing for execution and clearance. Clients are not obligated to purchase products and services from FWS's affiliated broker dealer. FWS will receive usually and customary compensation in the form of commissions for any trades executed through First Western Securities, Inc.

FWS does not have any advisory representatives with direct personal interest in client securities recommended to our clients and prohibits this type of conflict of interest. The firm does not make markets or engage in principal trading. FWS does not perform firm commitment underwriting. Therefore, the firm does not have a direct financial interest in the advisory recommendations made or bought for advisory clients on a discretionary basis. Advisory representatives are strictly prohibited from advising that clients invest in companies in which the advisor has material ownership.

**Transactions and Personal Trading:** FWS and/or its advisory representatives may, from time to time, purchase or sell products for their own personal account(s) that they recommend to clients. FWS has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of FWS deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of FWS are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. FWS collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest.

The firm carefully monitors the personal trading of its representatives to ensure that the advisory representative does not engage in “front-running”. This practice involves the purchase of a security and then shortly afterwards, recommending or actually executing purchases in the same security to drive up the price or deprive the client of a better price. Conversely, the advisor may want to sell a security prior to performing the same sale in their client account(s) to receive a better price. Activity such as this is strictly prohibited by the firm and any advisory representative that performs activity of this type will be severely disciplined.

## **12 Brokerage Practices**

In addition to its advisory activities, FWS is a FINRA member brokerage firm that introduces clients to First Clearing on a fully disclosed basis. FWS does recommend to its Advisory clients that they use FWS as its broker, with First Clearing as the custodial and clearing broker for the advisory client’s account. The client has the option to execute the advisor’s recommendations through another broker at all times.

We choose to recommend our affiliated broker and the clearing firm due to the existence of the relationship, the ability to make rapid changes in client accounts (should market conditions warrant), familiarity with the trade and account management systems by FWS personnel, and ease of account review.

FWS does not receive any hard or soft dollar benefits from this arrangement. FWS is not involved in any directed brokerage arrangements. FWS does not receive compensation for introducing clients to First Clearing.

## **13 Review of Accounts**

Advisory services include review and monitoring of your account. The custodial broker will provide you with periodic performance review and reporting based on the information on our records. Written quarterly performance is provided to the clients by the custodial broker, except in the case of clients with direct business with annuity issuers. The performance reporting is included on statements prepared by the custodial broker and is in written form.

Normally, account transactions are reviewed daily and other reviews are done for internal supervision and compliance purposes. Events that may trigger these types of reviews would be high numbers of trades, excessive losses, a complaint from a customer, trades involving securities that the advisor on the account also owns or has owned, or random selection by supervisory persons. FWS advisory clients may request a review of their account at any time and a written report from the firm will be provided upon request.

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

FWS currently does not receive any other form of direct compensation for providing advisory services to our clients beyond the advisory fees charged to our clients. We do not use solicitors to refer advisory clients to us. Currently, FWS does not receive any indirect compensation in the form of services or discounted brokerage rates (“soft dollars”) in connection with our advisory

services. In the future, if FWS were to receive soft dollars for recommending a particular broker, which may result in the client paying higher commissions than those obtainable through other brokers, FWS will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934.

Trading commissions may be used as soft dollars provided that:

- The service is primarily for the benefit of FWS's clients
- The commission rates are competitive with rates paid by FWS to comparable brokers; and
- FWS does not guarantee a minimum amount of commissions to any broker dealer.

Under these provisions, FWS purchases products or services that include third party research, execution services, order managements, services, market data, etc. Where applicable, FWS determines a mixed-use allocation between hard and soft dollars when these services are used for non-research services, including, but not limited to administration, sales, or marketing.

Mutual Fund/12b-1Fees:

FWS normally will use advisor class shares when placing mutual fund investments for its clients. These shares pay no or minimal distribution fees to the advisor. The fund managers do charge management and advisory fees of their own on the participants of the fund and FWS has no control over the charges that a mutual fund manager may charge. Fund expense ratios are a consideration in identifying mutual funds to recommend or purchase for our clients. FWS does not receive additional direct or indirect compensation from any fund manager.

## **15 Custody**

FWS does not take custody of any client funds or securities. All client funds and securities are held at brokerage firms the FWS recommends or that the client selects. The custodial brokers provide statements to clients monthly or quarterly, depending on activity.

## **16 Investment Discretion**

FWS generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by FWS.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by FWS will be in accordance with each client's investment objectives and goals.

FWS recommends the broker or dealer for custodial and execution services. FWS recommends the broker/dealer to be used based on execution and custodial services offered, cost, quality of service and industry reputation. FWS does not have the ability to dictate minimum commissions or ticket charges.

## **17 Voting Client Securities**

FWS does not vote proxies for securities owned by advisory clients. Should FWS change this policy in the future; the voting of proxies will only be done as permitted by SEC Rule 206(4)-6. This means that we will:

- a. Adopt and implement written policies and procedures that are reasonably designed to ensure that FWS votes client securities in the best interest of clients, which procedures must include how we address material conflicts that may arise between our interests and those of our clients;
- b. Disclose to clients how they may obtain information from us about how we voted with respect to their securities; and
- c. Describe to clients your proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures to the requesting client.

## **18 Financial Information**

FWS does not require prepayment of client fees in excess of \$500.00 more than six months in advance.

FWS does not have any contractual liability or liquidity issue that will impair in any way, our ability to meet contractual commitments to our clients.

FWS has never filed for bankruptcy.

## **19 Requirements for State-Registered Advisors**

### ***19.A Executive Officers***

Randall Ferguson, CRD # Born in Fort Worth, Texas in 1952

Graduated Oklahoma State University, BS in Finance

Employment History:

First Western Securities, Inc. Investment Representative, President (Broker-Dealer)  
1987 to present

First Western Securities, Inc. IAR, President (RIA) 2003 to present

### ***19.B Other Business***

Please see Section 10 for a description of the firm's other businesses.

### ***19.C Performance Based Fees***

FWS does not charge performance based fees.

### ***19.D Additional Disclosure Information***

State law requires us to disclose if FWS has been involved in any of the following events. If the firm has not been involved in any of the events listed, the word '(NONE)' shall be shown after the specific event:

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) an investment or an *investment-related* business or activity; (NONE)
- (b) fraud, false statement(s), or omissions; (NONE)
- (c) theft, embezzlement, or other wrongful taking of property; (NONE)
- (d) bribery, forgery, counterfeiting, or extortion; or (NONE)
- (e) dishonest, unfair, or unethical practices. (NONE)

2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or administrative *proceeding involving* any of the following:

- (a) an investment or an *investment-related* business or activity; (NONE)
- (b) fraud, false statement(s), or omissions; (NONE)
- (c) theft, embezzlement, or other wrongful taking of property; (NONE)
- (d) bribery, forgery, counterfeiting, or extortion; or (NONE)
- (e) dishonest, unfair, or unethical practices. (NONE)

### ***19.E Relationships With Issuers***

None of FWS advisory representatives have business relationships with any issuer of securities.

FOR CALIFORNIA RESIDENTS:

The information contained in this brochure contains all required information regarding actual or potential conflicts of interest that would be reasonably expected to impair our ability to render unbiased and objective advice as required by CCR Section 260.238(k).