



SWS Partners, LLC  
Form ADV Part 2A – Disclosure Brochure  
February 1, 2016

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This brochure provides information about the qualifications and business practices of SWS Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 614-670-5733 or info@swspartners.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

You can find more information about SWS Partners, LLC at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm’s SEC File No. is 801-107254.

## **Item 2 – Material Changes**

This is our first firm brochure, so there are no material changes at this time. In the future, this Item will be used to provide you with a summary of new and/or updated information. You will receive a summary of any material changes to this brochure within 120 days of the close of our fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4 – Advisory Business**

### **The Company**

SWS Partners, LLC (“we,” “us” or “SWS”) is an Ohio limited liability company owned by James F. Parker (45%), Craig Cavicchia (10%), Philip Kessler (35%), and Michael Stafford (10%). SWS has been providing investment advisory services since November 2015.

### **Advisory Services**

SWS provides personalized, confidential financial planning, investment management and consulting services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. We consult with you and provide advice with respect to:

- Determining your financial objectives
- Identifying financial challenges
- Budgeting, cash flow analysis and debt management
- Retirement needs analysis
- Qualified and non-qualified employee/executive benefit planning
- Financial coaching
- Charitable, college and estate planning
- Tax planning
- Insurance and long term care planning
- Investment and real estate planning
- Business and succession planning

Our services are for clients seeking a personalized approach to implementing an individually customized strategy designed to meet their investment goals and objectives through portfolio monitoring and quarterly reporting. We work with clients to understand their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, SWS assists its clients in developing an appropriate strategy for managing their assets and financial affairs. We manage client accounts primarily on a discretionary, but can accommodate clients who prefer their assets be managed on a non-discretionary basis. Assets managed within our wrap program must be on a discretionary basis. This individualized approach allows us to work with you to achieve your investment goals.

At the beginning of SWS’s relationship with you, we review your current investment portfolio, obtain information necessary to understand your current and expected financial

situation, discuss with you your investment history, objectives, special interests and risk tolerance and make recommendations regarding your portfolio. Additionally, you can participate in regular planning meetings, telephone consultations and educational seminars.

We offer the following three types of advisory services to assist clients in achieving their unique goals and objectives. The different services offer clients a personalized approach to implementing an investment strategy through asset allocation, portfolio monitoring and consolidated reporting. We may also recommend the use of third-party investment managers to manage all or a portion of the assets.

### ***Wrap Fee Programs***

SWS sponsors two “wrap fee” programs in which we provide investment management services. In the wrap fee programs, the client receives investment advisory and portfolio transaction services for a single fee based on the amount of assets in the account. Such programs include The SWS Partners – Bower Hill Managed Account Program and The SWS Partners Open Architecture Managed Account Program as further described in Appendix 1 of this Part 2A disclosure brochure.

Clients establishing a wrap fee account with SWS must open a securities brokerage and custody account with our primary custodian, Charles Schwab & Co., Inc. We will execute all transactions through Schwab.

We will work with you to accommodate reasonable restrictions in any investment strategy. You must advise us of any such restrictions in writing, and you should be aware that imposing investment restrictions may adversely affect the performance of your account.

### ***Brokerage/Trading Account Services***

Concentrated stock positions, insurance and annuities contracts, real estate investment trusts (“REITs”), business development companies (“BDCs”), private placements, or similar products are more appropriately held in a non-wrap fee brokerage account with a broker/dealer acceptable to SWS.

### ***Consulting Services***

We provide clients with financial consulting services on various matters, including, but not limited to budgeting, tax planning, executive compensation, protection planning, wealth transfer, charitable planning, business and succession planning and educational funding.

## **Assets Under Management**

As of February 1, 2016, SWS manages \$95,000,000 of discretionary assets and \$10,000,000 of non-discretionary assets.

## **Item 5 – Fees and Compensation**

### **Amount of Our Fees**

#### ***Wrap Fee Programs***

All asset management services are provided exclusively through our wrap fee programs. Please refer to Appendix 1 of this disclosure brochure for a description of the wrap fee program fees.

#### ***Consulting Services***

As stated in Item 4 above, we may provide clients with financial consulting services on various matters. We typically charge clients a fixed fee for such services. The fee varies based on the scope of the work provided and will be disclosed and approved by the client in a separate written agreement prior to the commencement of services.

### **Fee Billing**

#### ***Wrap Fee Program***

Our fees are paid quarterly in advance and are based on the market value of the assets in your account at the beginning of the calendar quarter. We will deduct our fees directly from your account at Schwab. If you have insufficient cash in your account to pay our fee, we may sell certain of your account assets to pay the fee. Fees are pro-rated for partial periods. If you terminate your agreement with us during a quarter, we will refund a pro rata portion of the fee you paid for that quarter, based on the number of days between the end of the notice period and the end of the quarter.

#### ***Consulting Fees***

Our fees for financial consulting services are fixed, and are payable in advance and in full, unless SWS and you mutually agree otherwise.

### **Other Fees**

Your account may be investment in exchange traded funds (“ETFs”) or other investment companies, such as mutual funds, hedge funds and private equity funds. These investment companies charge internal management fees, which are disclosed in their prospectuses or offering documents. These fees are not shared with SWS. We evaluate these relative annual costs as a part of our investment decision making process. In addition, you may incur transfer taxes, custodial fees, wire transfer fees and other fees assessed by broker/dealers in connection with transactions in your brokerage/trading account.

You could invest in an ETF or other investment company directly. In that case, you would not receive the services we provide, which are designed in part to help you determine which,

if any, investment companies are best suited to your financial condition and objectives. You should review the fees charged by the investment companies and our fees to fully understand the total amount of fees you will pay and to evaluate the advisory services we provide.

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

We do not accept “performance-based fees” (i.e., fees based on a share of capital gains on or capital appreciation of your assets).

### **Item 7 – Types of Clients**

SWS provides investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, financial institutions and small businesses.

The minimum account size for a wrap fee program account is \$50,000.

We reserve the right to waive minimum account size requirements at our discretion.

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

The investment strategies employed by SWS share a common philosophy: participate in upside asset price momentum while engaging in systematic methods to avoid substantial losses. The use of downside protection strategies, or portfolios designed primarily to win by avoiding substantial losses, is an approach that has shown to benefit portfolio performance over the long-term. We believe that applying systematic, rules-based investment processes focused on aligning portfolio exposures with trends in capital markets may prove to be a successful investment approach. Our investment philosophy is grounded in a disciplined approach to allocating assets consistently based on what we believe to be the highest probability events. SWS's investment focus is not on beating the benchmark year after year. We believe that this approach may expose client portfolios to excessive risk. Instead, the SWS attempts to participate in upside asset class trends while focusing on avoiding material losses that may significantly erode a portfolio's value. We believe this approach may result in portfolio results that beat the benchmark over the long-term, while assuming less risk.

### Methods of Analysis

SWS employs both fundamental and technical analysis in developing investment strategies for its clients.

- *Fundamental Analysis.* The success of our strategies depends in large part on our ability to accurately assess the fundamental value of securities and capital markets in general. An accurate assessment of fundamental value depends on a complex analysis of a number of economic, financial, operating, legal and other factors. No assurance can be given that we can assess the nature and magnitude of all material factors having a bearing on the value of securities.
- *Technical Analysis.* In implementing our investment strategies, we may also utilize technical analysis, which is the study of asset prices and their movement as influenced by the supply and demand for a particular security. Although employing these techniques may expand the opportunity for gain, it also carries the risks of volatility and loss.

Our research and analysis is derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and third party research.

### Investment Strategies

#### *Wrap Fee Program Sponsor*

As sponsor of a wrap fee program, SWS evaluates information about the third party investment managers its selects to manage client assets in the program. We generally review a variety of different resources, which may include the manager's public disclosure



documents, materials supplied by the managers themselves, and other third-party analyses we believe to be reputable. To the extent possible, SWS seeks to assess a third party investment manager's investment strategies, past performance and risk results in relation to our clients' individual portfolio allocations and risk exposures. We also take into consideration each third party investment manager's reputation, financial strength, reporting, pricing, and research capabilities, among other related factors.

SWS monitors the performance of those accounts managed by third party investment managers by reviewing the account statements produced by the Financial Institutions, as well as other performance information furnished by the third party investment managers and/or other third-party service providers. However, we do not independently verify the accuracy of any such performance information and do not ensure its compliance with presentation standards. You are advised that any performance information you receive from third party investment managers may not be calculated on a uniform and consistent basis.

We advise clients to compare all supplemental materials with the account statements they receive from their respective Financial Institutions. The terms and conditions under which a third party investment manager are engaged is contained in a separate written agreement between SWS or the client and the third party investment manager. In addition to this brochure, a client also receives the brochure of the third party investment manager engaged to manage the client's assets.

### ***Wrap Fee Program Manager***

In addition to sponsoring the wrap fee programs, we also provide investment management services under the program. In managing client accounts, we generally employ a long-term investment strategy consistent with our client's financial goals. We typically will hold all or a portion of a security for more than a year, but may hold for shorter periods in order to rebalance a portfolio, meet a client's cash needs, or respond to poor investment performance. In addition, SWS may at times buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class. However, we do not utilize frequent trading. Frequent trading may result in higher transactional costs and may cause deterioration in investment performance. Frequent trading also may cause additional tax consequences (i.e., higher taxes) for the client.

In managing a portfolio, SWS principally recommends investment in ETFs, mutual funds, hedge funds and other investment companies, as well as individual equity securities. These securities may be subject to material loss of principal or loss of principal in its entirety. Investment in these securities and in financial markets in general may subject clients to material risks such as those set forth below.

## **Risk of Loss**

All investments in securities include a risk of losing your principal (invested amount) and any profits that you have not yet realized. You should be prepared to bear that risk. As you know, the stock and fixed income markets fluctuate substantially over time. In addition, as

recent global and domestic economic events have shown, the performance of any investment is not guaranteed.

Our strategies may subject clients to the following risks:

- *Correlation Risk:* The price of equity securities and fixed income securities, as well as other asset classes, often rise and fall at different times so that a fall in the price of one may be offset by a rise in the price of the other. In deteriorating markets, the prices of securities within and across asset classes may fall in tandem. Because our strategies allocate investments targeted in one asset class or across asset classes, the strategies are subject to correlation risk.
- *Credit Risk:* Issuers of fixed income securities may not make interest or principal payments on securities, resulting in losses to an investor. In addition, the credit quality of an issuer's securities may be lowered if an issuer's financial condition changes, including the U.S. government.
- *Derivatives Risk:* Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives or other instruments used by ETFs to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.
- *Diversification Risk:* A client's portfolio may be limited to only a few investments. As a result, the client's performance may be more sensitive to any single economic, business, political or regulatory occurrence, relative to the value of a more diversified portfolio.
- *Emerging Market Risk:* Emerging market countries may have relatively unstable governments, weaker economies and less-developed legal systems with fewer security holder rights. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.
- *ETF Risk:* ETFs are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of the investment strategy will be higher than the cost of investing directly in ETFs. In addition, ETFs are subject to specific risks, depending on the nature of the fund. ETFs are professionally managed pooled investment vehicles that invest in stocks, bonds, short-term money market instruments, other ETFs, derivatives and other securities, or any combination thereof. ETF managers trade fund investments in accordance with fund investment

objectives. While ETFs may provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money), or concentrate in a particular type of security rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values and there is no guarantee this relationship will resolve itself.

- *Fixed Income Risk:* A client's account may be invested in fixed income securities, directly or through ETFs. The credit quality rating of securities may be lowered if an issuer's financial condition deteriorates and issuers may default on their interest and/or principal payments. Typically, a rise in interest rates causes a decline in the value of fixed income securities.
- *Foreign Investment Risk:* Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.
- *Key Personnel Risk:* The success of our strategies depends greatly on the investment skills of our principals and key personnel. Performance of a client's account could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.
- *Leverage Risk:* Leverage (borrowing) may be used in investment and trading, generally through purchasing inherently leveraged instruments, such as certain ETFs. The prices of leveraged instruments can be highly volatile, and investments in leveraged instruments may, under certain circumstances, result in losses that exceed the amounts invested. Borrowing magnifies the potential for losses and exposes the client to interest expense on money borrowed. Leveraged ETFs and derivatives will amplify losses because they are designed to produce returns that are a multiple of the equity index to which they are linked.
- *Leveraged ETF Risk:* ETFs may use leverage, which may amplify gains and losses. Most leveraged ETFs reset their leverage daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark during the same period of time.
- *Market Risk:* Overall equity, fixed income and alternative securities market risks affect the value of a client's portfolio. Factors such as domestic or global economic growth, market conditions, interest rate levels and political events affect the securities markets.

- *Options Risk:* There are numerous risks associated with transactions in options on securities. A decision as to whether, when and how to write options and purchase options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.
- *Small and Medium Capitalization Stock Risk:* A client may invest directly or through ETFs in companies of any size capitalization. The price of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than larger, more established companies or the major market indices in general.
- *Turnover Risk:* A higher portfolio turnover may result in higher transactional and brokerage costs and could result in higher taxes when a client's investments are held in a taxable account.
- *U.S. Government Securities Risk:* Although U.S. government securities are considered among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.
- *Strategy Risks:* The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.
- *Cyclical Analysis Risk:* Economic/business cycles may not be predictable and may have many fluctuations between periods of economic or market expansion and contraction. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- *Management Risk:* The success of SWS's investment strategies depends to a great extent on the investment skills of SWS's principals and key personnel. Performance could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.
- *Private Fund Risk.* Client assets may be invested in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. Private investment vehicles are less liquid than other

investments. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

SWS has no legal or disciplinary events to report.<sup>1</sup>

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

We are obligated to disclose whether SWS or any of its officers or employees are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers for you.

Certain members and registered advisory personnel of SWS are registered representatives of Purshe Kaplan Sterling Investments (“PKS”), a FINRA-registered broker-dealer and member of SIPC. PKS is a financial services company engaged in the offer and sale of investment products. As a result of SWS members and registered professionals’ affiliation with PKS, such professionals, in their capacity as registered representatives of PKS, are subject to the general oversight of PKS and the Financial Industry Regulatory Authority Inc. (“FINRA”). As such, clients of SWS should understand that their personal and account information is available to FINRA and PKS for the fulfillment of their regulatory oversight obligations and duties. Further, a potential conflict of interest may be deemed to exist as a result of SWS personnel being licensed with PKS; in that regard please note the following:

- The recommendation of securities transactions for commission creates a conflict of interest in that SWS is economically incented to effect securities transactions for clients;
- The client is under no obligation to act upon SWS’s recommendation; and
- If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through PKS.

All of our investment adviser representatives also are registered representatives of Charles Schwab & Co. (“Schwab”). We discuss any potential conflicts of interest with broker/dealers

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<sup>1</sup> We note that registered advisors are required to report, in Part 1A of Form ADV, all disciplinary events regardless of whether they are material. SWS has no disciplinary events of any kind to report.

we use to execute transactions in client accounts, including through Schwab, in Items 4, 5 and 12.

SWS and Bower Hill Capital Management, LLC (“Bower Hill”) are affiliated entities. SWS has entered into a sub-advisory relationship whereby Bower Hill will act as the sub-adviser to SWS advisory clients. Please be advised there is a conflict of interest in that SWS has an economic incentive to utilize and/or recommend Bower Hill as opposed to other investment managers. SWS manages this conflict by (i) ensuring the investment manager utilized for the client is appropriate given the client’s goals, objectives, and tolerance for risk, and (ii) disclosing such conflict to prospective advisory clients.

As a wrap fee account sponsor, we do recommend or select third party investment managers to manage all or a portion of your portfolio. However, we do not receive compensation from those third party investment advisers for recommending or selecting them.

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

### **Code of Ethics**

We expect our investment adviser representatives to always act in your best interests, and to place your interests ahead of their own. We have adopted a Code of Ethics (the “Code”) that sets forth the standard of business conduct expected from each member of our team.

The Code restricts trading in any security for which we believe we may be privy to material non-public information. It also places restrictions on trading by our managers and investment adviser representatives (which we refer to as “personal trading”) to prevent any conflict of interest between personal trading and client trading. The Code limits gifts and entertainment, whether received or given, to avoid conflicts of interests. The Code causes all outside business activities of our team members to be disclosed so that potential conflicts can be detected and addressed. Finally, it limits the political contributions of our managers and investment adviser representatives to prevent any potential conflicts in that area as well. All our managers, investment adviser representatives and employees must accept in writing the terms of the Code upon employment, annually, and as amended.

We will provide a copy of the Code to any client or prospective client upon request. If you would like a copy, please contact our Chief Compliance Officer at the telephone number or the address specified on the cover page of this brochure.

### **Participation or Interest in Client Transactions and Personal Trading**

The strategies we use to manage client accounts also are used to manage accounts maintained by SWS, its managers, investment adviser representatives and employees. As a result, we (or our managers, investment adviser representatives and employees) may (i)

invest in the same securities or related securities (for example, warrants, options or futures) that we recommend to our clients, (ii) buy or sell securities for our own accounts at the same time that we recommend, buy or sell the same securities for client accounts, or (iii) include buy or sell orders in an aggregated transaction along with client buy or sell orders. To address any potential conflicts of interest from this practice, we may not trade in a manner that would be adverse or detrimental to client trades, and we always allocate partially filled orders to client accounts before allocating to our accounts.

We do not buy or sell for your account securities in which SWS or its managers, investment adviser representatives and employees have a material financial interest.

## **Item 12 - Brokerage Practices**

### **Factors Used to Select Broker-Dealers for Client Transactions**

#### **Custodian Recommendations**

SWS may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. (“custodian” and/or “Schwab”), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Although SWS may recommend that clients establish accounts at the custodian, it is the client’s decision to custody assets with the custodian. SWS is independently owned and operated and not affiliated with custodian. For SWS 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.

SWS 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 SWS, SWS 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 SWS 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.

## **How We Select Brokers/Custodians to Recommend**

SWS 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

## **Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

## **Research and Other Soft Dollar Benefits**

SWS has not entered into any commitments or understandings to trade with specific broker/dealers, direct a minimum number of transactions to specific brokers/dealers, or



generate a specified level of brokerage commission with any particular broker/dealer, in order to receive brokerage or research services. These commitments or understandings are generally known as soft dollar arrangements. However, certain brokers through which we execute trades may provide unsolicited proprietary research (i.e., research the broker creates) to us. This research is used for all client accounts, even though only certain clients may have paid commissions to the brokers who provided the research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections. In addition to unsolicited research, certain brokers may provide invitations to attend conferences and meetings with management representatives or with other analysts and specialists.

### **Institutional Trading and Custody Services**

The custodian provides SWS with access to its 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. These services are not contingent upon SWS committing to a custodian any specific amount of business (assets in custody or trading commissions). 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.

### **Other Products and Services**

Custodian also makes available to SWS other products and services that benefit SWS 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 SWS's accounts, including accounts not maintained at custodian. The custodian may also make available to SWS 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 SWS'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 SWS 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 SWS personnel. In evaluating whether to recommend that clients custody their assets at the custodian, SWS 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.

### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to SWS. 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 SWS.

### **Additional Compensation Received from Custodians**

SWS may participate in institutional customer programs sponsored by broker-dealers or custodians. SWS may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between SWS's participation in such programs and the investment advice it gives to its clients, although SWS 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 SWS 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 SWS by third-party vendors

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

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 SWS manage and further develop its business enterprise. The benefits received by SWS or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

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

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

### **The Firm's Interest in Schwab's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. These services are not contingent upon the firm committing any specific amount of business to the custodian in trading commissions or assets in custody. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

### **Brokerage for Client Referrals**

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

### **Directed Brokerage**

#### **SWS Recommendations**

SWS typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **Client-Directed Brokerage**

Occasionally, clients may direct SWS 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 SWS 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. SWS loses the ability to aggregate trades with other SWS advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

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

### **Best Execution**

In managing client wrap fee accounts, SWS has the authority to make all determinations as to securities to be bought and sold, the amounts of securities to be bought or sold, and the broker-dealer to be used. As part of its discretionary responsibilities, SWS seeks best execution under the circumstances on each trade placed on your behalf.

### **Trade Aggregation and Allocation**

SWS may aggregate orders for the same securities purchased for a number of client accounts. Trade aggregation is performed to ensure, to the extent possible, optimal execution and consistent results across our client base. Accounts owned by the SWS or its managers, investment adviser representatives or employees may participate in aggregated orders; however, they will not be given preferential treatment. Occasionally, we may only partially fill an aggregated order. Under those circumstances and to the extent it makes practical sense, we allocate the order on a pro rata basis among the applicable client accounts and do not allocate to firm or employee accounts unless all client orders are fully filled. The allocation of the shares purchased is not based on account performance or the amount or structure of management fees. There may be instances when partially filled orders may adversely affect the size of the position or the price you pay or receive, as compared with the size of the position or price that you would have paid or received had no aggregation occurred.

## **Item 13 – Review of Accounts**

Our investment adviser representatives review client accounts quarterly and may reposition assets to bring the actual allocations closer to the chosen strategy's target allocations, unless the client has requested otherwise. Account transactions are reviewed on an ongoing basis to ensure consistency with client objectives and restriction, if any. Significant market or client-specific events may cause us to review an account on a more frequent basis. Our investment adviser representatives meet with clients in-person, by telephone or via webcasts on an agreed upon basis, but on at least an annual basis. Clients are encouraged to

notify SWS of any changes in their financial situation, needs or investment objectives, or the suitability of the investment strategy developed for them.

Clients receive transaction confirmation notices and regular summary account statements directly from the Financial Institution holding their accounts. SWS also provides clients with periodic reports. These written reports generally contain account holdings, investment results and other data relevant to your account. We urge clients to carefully review these reports and compare the statements received from the Financial Institution with the reports that we provide. The information in our reports may vary from the Financial Institution's statements based on accounting procedures, reporting dates or the valuation methodologies of certain securities.

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

### **No Compensation for Client Referrals**

We do not currently compensate any person for client referrals.

### **Other Compensation**

Other than the compensation described in Item 5, SWS does not receive any compensation from anyone other than its clients.

## **Item 15 – Custody**

We do not provide custodial services to our clients. Your assets must be held by Schwab. You will receive custodial statements directly from Schwab at least quarterly. We urge you to carefully review the custodial statements and compare them to the reports we send you. The information in our reports may vary from your custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

Our investment advisory agreements give us discretionary authority to manage the assets in clients' accounts, including the ability to retain third-party investment managers, purchase, sell and exchange securities and other instruments, and reinvest all proceeds. However, we observe reasonable investment limitations and restrictions that you provide to us in writing, provided that we determine in our sole discretion that such limitations and restrictions are consistent with the strategy we are using for your account.

## **Item 17- Voting Client Securities**

We do not accept authority to vote client securities. Proxy materials generally will be received by you directly or forwarded to you by your Financial Institution. We encourage you to contact your Financial Institution if you have questions related to proxy materials.

We do not advise or act on your behalf in legal proceedings involving companies whose securities are held in your account, including, but not limited to, the filing of class action settlement claim forms. You may, however, direct us to transmit copies of these forms to you or a third party. If you do, we will attempt to forward such forms in a timely manner.

## **Item 18 - Financial Information**

In certain circumstances, registered investment advisers are required to provide clients or prospective clients with financial information or disclosures about their financial condition. SWS has no financial commitments that impairs our ability to meet our contractual or fiduciary commitments to you and has never been the subject of any bankruptcy proceeding.



SWS Partners, LLC  
Form ADV Part 2A, Appendix 1 – Wrap Fee Program Brochure  
February 1, 2016

SWS Partners, LLC  
807 Kinnear  
Columbus, Ohio 43212  
614-670-5733  
info@swspartners.net

This wrap fee program brochure provides information about the qualifications and business practices of SWS Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 614-670-5733 or info@swspartners.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

You can find more information about SWS Partners, LLC at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm’s SEC File No. is 801-107254.

## **Item 2 – Material Changes**

This is our first wrap fee program brochure, so there are no material changes at this time. In the future, this Item will be used to provide you with a summary of new and/or updated information. You will receive a summary of any material changes to this wrap fee program brochure within 120 days of the close of our fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.



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## Item 4 – Services, Fees and Compensation

### About Us

SWS Partners, LLC (“we,” “us” or “SWS”) is an Ohio limited liability company owned by James F. Parker (45%), Craig Cavicchia (10%), Philip Kessler (35%), and Michael Stafford (10%). SWS has been providing investment advisory services since November 2015.

### Wrap Fee Program Services

SWS sponsors two “wrap fee” programs and provides investment management services under the programs. In our wrap fee programs, a client receives investment advisory and portfolio transaction services for a single fee based on the amount of assets in the account. In our wrap fee program, we will provide direct discretionary portfolio management services for your account or to retain a third-party investment adviser to manage your account. Because the wrap program fee is based on the amount of assets in your account and is not commission-based (i.e., you are not charged a fee for each individual transaction in your account), you may trade in certain investment products without incurring separate brokerage commissions or transaction charges.

Clients establishing a wrap fee account with SWS must open a securities brokerage and/or custody account and complete a new account agreement with Charles Schwab & Co., Inc. (“Schwab”). If we manage your account or retain a third-party investment manager to manage your account, all transactions will be executed through Schwab.

We help clients select an appropriate strategy for managing their assets and financial affairs. The strategy chosen may be an SWS strategy or a strategy developed and implemented by a third party investment manager. SWS, or the third party investment manager, will then manage the assets in the wrap fee account in accordance with the chosen strategy. In selecting investments and third party investment managers, we consider each client’s risk tolerance, funding needs and investment limitations. SWS monitors the performance of those accounts managed by third party investment managers. For additional information about how we select third party investment managers, please see *Item 6 – Portfolio Manager Selection and Evaluation*.

### Wrap Fee Program Fees

We charge wrap fee program clients a single fee calculated as a percentage of the assets in the account. The fee covers investment management services and the costs of executing trades. If SWS directly manages your account, we retain the entire fee to compensate us for our investment management services and to reimburse us for transaction charges assessed by Schwab through which we execute trades in your account. If assets have been allocated to a third party investment manager, we pay a portion of the fee to that investment manager. The portion of the fee paid to third party investment managers will vary depending on the manager selected and the rate we are able to negotiate with that manager. We anticipate

that the fees paid to third party managers will range between approximately 0.35% to 0.75% of assets under management, but we may negotiate a fee with a particular manager that is not within that range. The fee you will pay depends on a variety of factors, including the amount of the fees charged by the third party manager (if applicable), the volume of transaction activity in your account, the value of other services provided under the arrangement, the type and size of your account and the total amount of assets we manage for you. Accounts with multiple objectives, specific reporting requirements, portfolio restrictions, and other complexities may be charged a higher fee.

In determining whether to establish a wrap fee program account, you should be aware that the overall cost to you of the program may be higher or lower than the cost you might incur by purchasing separately the types of securities and services available in the program. In order to compare the cost of our wrap fee program with unbundled services, you should consider the following factors:

- trading activity associated with our investment strategies or those of third party investment managers
- the fees charged by other investment advisers for investment advisory services
- brokerage commissions that would be charged by Schwab, or at other broker-dealers

Depending upon the total wrap fee charged by our firm (as described more fully in the table below), the amount of portfolio activity in your account, and the value of investment advisory and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if we were to negotiate transaction fees and seek best price and execution of transactions for your individual account. In addition, because our firm must absorb any transaction fees in wrap fee program accounts, we may have a disincentive to trade heavily in those accounts.

Our standard wrap fee schedule is below. Fees shown are on an annual basis.

The SWS Partners – Bower Hill Managed Account Program standard fee schedule is below. Fees shown are on an annual basis. We reserve the right to negotiate a different fee for your account.

<b>Client Aggregate Assets</b>	<b>Annual Fee Range</b>
\$0 - \$2,000,000	1.25%
\$2,000,001 - \$5,000,000	0.90%
Over \$5,000,000	0.75%

The SWS Partners Open Architecture Managed Account Program standard fee schedule is below. Fees shown are on an annual basis. We reserve the right to negotiate a different fee for your account.

<b>Client Aggregate Assets</b>	<b>Annual Fee Range</b>	<b>Third-Party Money Manager Fee</b>	<b>Total</b>
\$0 - \$2,000,000	1.25%	1.00%	2.25%
\$2,000,001 - \$5,000,000	0.90%	0.65%	1.55%
Over \$5,000,000	0.75%	0.50%	1.25%

Our fees are paid quarterly in advance and are based on the market value of the assets in your account at the beginning of the calendar quarter. We will deduct our fees directly from your account at your Financial Institution. If you have insufficient cash in your account to pay our fee, we may sell certain of your account assets to pay the fee. Fees are pro-rated for partial periods. If you terminate your agreement with us during a quarter, we will refund a pro rata portion of the fee you paid for that quarter, based on the number of days between the end of the notice period and the end of the quarter.

## **Other Fees**

The wrap fee does not include annual account fees or other administrative fees, such as wire fees, certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in your account; and advisory fees, expenses or sales charges (loads) of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in your account. The wrap fee also does not cover certain costs associated with securities transactions in the over-the-counter market such as mark-up, mark-down, or spread and odd-lot differentials or transfer taxes imposed by law.

Your account may be invested in exchange traded funds (“ETFs”), other investment companies (like mutual funds), or private investment funds, such as hedge funds and private equity funds. These investment vehicles may charge internal management fees and expenses, which are disclosed in their prospectuses or offering documents. These fees are not shared with SWS. We evaluate these relative annual costs as a part of our investment decision making process. You could invest in an ETF, other investment company, or private investment fund directly. In that case, you would not receive the services we provide, which are designed in part to help you determine which, if any, investment funds are best suited to your financial condition and objectives. You should review the fees charged by the investment funds and our fees to fully understand the total amount of fees you will pay and to evaluate the advisory services we provide.

## **Compensation for Recommending the Program**

We have no arrangements in place under which persons recommending our wrap fee program are entitled to receive additional compensation as a result of clients' participation.

### **Item 5 – Account Requirements and Types of Clients**

The minimum account size for a wrap fee program accounts is \$50,000. We reserve the right to waive minimum account size requirements at our discretion.

SWS's wrap fee program services are offered to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, financial institutions and small businesses.

### **Item 6 – Portfolio Manager Selection and Evaluation**

As stated above, we help clients select an appropriate strategy for managing their assets and financial affairs. The strategy chosen may be an SWS strategy or a strategy developed and implemented by a third party investment manager. SWS, or the third party investment manager, will then manage the assets in the wrap fee account in accordance with the chosen strategy.

Because we or a third party may serve as portfolio manager under our wrap fee program, we face a conflict of interest in that we may be incentivized to select SWS as the portfolio manager due to the fees that we would receive. We address this conflict of interest by (i) working with you to select the most appropriate strategy for you (whether or not that is a SWS strategy) based on your risk tolerance, funding needs, investment limitations, and other factors; and by (ii) evaluating the performance of strategies managed by our investment adviser representatives in a manner similar to that used to monitor strategies managed by third party investment managers, as described below.

## **Selection and Evaluation of Third Party Investment Managers**

As sponsor of a wrap fee program, SWS evaluates information about the third party investment managers it selects to manage client assets in the program. We generally review a variety of different resources, which may include the manager's public disclosure documents, materials supplied by the managers themselves, and other third party analyses we believe to be reputable. To the extent possible, SWS seeks to assess a third party investment manager's investment strategies, past performance and risk results in relation to our clients' individual portfolio allocations and risk exposures. We also take into consideration each third party investment manager's reputation, financial strength, reporting, pricing, and research capabilities, among other related factors.

On a quarterly basis, we monitor the performance of accounts managed by third party investment managers by reviewing the account statements and trade confirmations produced by the applicable Financial Institutions, as well as other performance information furnished by the managers. Third party managers may be replaced, in whole or in part, to the extent required to ensure account performance is consistent with client objectives and restrictions, if any. We do not verify the accuracy of any performance information furnished by third party managers, and we do not ensure its compliance with presentation standards. You are advised that any performance information you receive from third party investment managers may not be calculated on a uniform and consistent basis.

We advise clients to compare all supplemental materials with the account statements they receive from their respective Financial Institutions. The terms and conditions under which a third party investment manager is engaged are contained in a separate written agreement between SWS or the client and the third party investment manager. In addition to this brochure, a client also receives the brochure of the third party investment manager engaged to manage the client's assets.

## **Our Wrap Fee Advisory Services**

SWS assists its clients in developing an appropriate strategy for managing their assets and financial affairs. We manage client accounts in our wrap fee programs exclusively on a discretionary basis. This individualized approach allows us to work with you to achieve your investment goals.

At the beginning of SWS's relationship with you, we review your current investment portfolio, obtain information necessary to understand your current and expected financial situation, discuss with you your investment history, objectives, special interests and risk tolerance and make recommendations regarding your portfolio. We may also recommend the use of third-party investment managers to manage all, or a portion of the assets.

### ***Wrap Fee Programs***

SWS sponsors two "wrap fee" programs in which we provide investment management services. In the wrap fee programs, the client receives investment advisory and portfolio transaction services for a single fee based on the amount of assets in the account. Such programs include The SWS Partners – Bower Hill Managed Account Program and The SWS Partners Open Architecture Managed Account Program as further described in Appendix 1 of this Part 2A disclosure brochure.

Clients establishing a wrap fee account with SWS must open a securities brokerage and custody account and complete a new account agreement with Charles Schwab & Co., Inc. ("Schwab"). If we manage your account or retain a third-party manager, we will execute all transactions through Schwab.

We help clients select an appropriate strategy for managing their assets and financial affairs. The strategy chosen may be an SWS strategy or a strategy developed and implemented by a third-party investment manager. SWS, or the third-party investment manager, will then

manage the assets in the wrap fee account in accordance with the chosen strategy. In selecting investments and third party investment managers, we consider each client's risk tolerance, investment strategy, funding needs and investment limitations. Item 8 - *Methods of Analysis, Investment Strategies and Risk of Loss* discusses SWS's investment strategies in more detail. SWS monitors the performance of those accounts managed by third party investment managers.

We will work with you to accommodate reasonable restrictions in any investment strategy. You must advise us of any such restrictions in writing, and you should be aware that imposing investment restrictions may adversely affect the performance of your account. There are no differences between how we managed wrap fee accounts and how we manage other accounts, and we receive a portion of the wrap fee as compensation for managing wrap fee accounts.

### ***Brokerage/Trading Account Services***

Concentrated stock positions, insurance and annuities contracts, real estate investment trusts ("REITs"), business development companies ("BDCs"), private placements, or similar products are more appropriately held in a non-wrap fee brokerage account with a broker/dealer acceptable to SWS.

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

We do not accept "performance-based fees" (i.e., fees based on a share of capital gains on or capital appreciation of your assets).

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

The investment strategies employed by SWS share a common philosophy: participate in upside asset price momentum while engaging in systematic methods to avoid substantial losses. The use of downside protection strategies, or portfolios designed primarily to win by avoiding substantial losses, is an approach that has shown to benefit portfolio performance over the long-term. We believe that applying systematic, rules-based investment processes focused on aligning portfolio exposures with trends in capital markets may prove to be a successful investment approach. Our investment philosophy is grounded in a disciplined approach to allocating assets consistently based on what we believe to be the highest probability events. SWS's investment focus is not on beating the benchmark year after year. We believe that this approach may expose client portfolios to excessive risk. Instead, the SWS attempts to participate in upside asset class trends while focusing on avoiding material losses that may significantly erode a portfolio's value. We believes this approach may result in portfolio results that beat the benchmark over the long-term, while assuming less risk.

SWS employs both fundamental and technical analysis in developing investment strategies for its clients.

- *Fundamental Analysis.* The success of our strategies depends in large part on our ability to accurately assess the fundamental value of securities and capital markets

in general. An accurate assessment of fundamental value depends on a complex analysis of a number of economic, financial, operating, legal and other factors. No assurance can be given that we can assess the nature and magnitude of all material factors having a bearing on the value of securities.

- *Technical Analysis.* In implementing our investment strategies, we may also utilize technical analysis, which is the study of asset prices and their movement as influenced by the supply and demand for a particular security. Although employing these techniques may expand the opportunity for gain, it also carries the risks of volatility and loss.

Our research and analysis is derived from numerous sources, including financial media companies, third party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and third party research.

When we manage client accounts, we generally employ a long-term investment strategy consistent with our client's financial goals. We typically will hold all or a portion of a security for more than a year, but may hold for shorter periods in order to rebalance a portfolio, meet a client's cash needs, or respond to poor investment performance. In addition, SWS may at times buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class. However, we do not utilize frequent trading. Frequent trading may result in higher transactional costs and may cause deterioration in investment performance. Frequent trading also may cause additional tax consequences (i.e., higher taxes) for the client.

In managing a portfolio, SWS principally recommends investment in ETFs, mutual funds, hedge funds and other investment companies or private investment funds, as well as individual equity securities. These securities may be subject to material loss of principal or loss of principal in its entirety.

All investments in securities include a risk of losing your principal (invested amount) and any profits that you have not yet realized. You should be prepared to bear that risk. As you know, the stock and fixed income markets fluctuate substantially over time. In addition, as recent global and domestic economic events have shown, the performance of any investment is not guaranteed.

## **Voting Client Securities**

We do not accept authority to vote client securities. Proxy materials generally will be received by you directly or forwarded to you by your Financial Institution. We encourage you to contact your Financial Institution if you have questions related to proxy materials.



## **Item 7 – Client Information Provided to Portfolio Managers**

Clients participating in our wrap fee program generally provide us with certain nonpublic information, and they grant us the authority to discuss such information with the third party investment managers engaged to manage their accounts. Depending upon the specific arrangement, you may give us, and we may be authorized to disclose, personal information that includes (without limitation) names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. We also may ask you for, and share with third party managers, certain information related to your financial positions, investment objectives, risk tolerance and other information in an effort to ensure that investment decisions made for your account remain aligned with your best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of our clients' portfolios.

## **Item 8– Client Contact with Portfolio Managers**

We do not impose restrictions on a client's ability to correspond or otherwise communicate with us directly. Our wrap fee program clients generally only communicate with SWS and do not directly contact third party investment managers servicing their accounts.

## **Item 9 – Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

SWS has no legal or disciplinary events to report.<sup>1</sup>

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

We are obligated to disclose whether SWS or any of its officers or employees are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers for you.

Certain members and registered advisory personnel of SWS are registered representatives of Purshe Kaplan Sterling Investments ("PKS"), a FINRA-registered broker-dealer and

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<sup>1</sup> We note that registered advisers are required to report, in Part 1A of Form ADV, all disciplinary events regardless of whether they are material. SWS has no disciplinary events of any kind to report.

member of SIPC. PKS is a financial services company engaged in the offer and sale of investment products. As a result of SWS members and registered professionals' affiliation with PKS, such professionals, in their capacity as registered representatives of PKS, are subject to the general oversight of PKS and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of SWS should understand that their personal and account information is available to FINRA and PKS for the fulfillment of their regulatory oversight obligations and duties. Further, a potential conflict of interest may be deemed to exist as a result of SWS personnel being licensed with PKS; in that regard please note the following:

- The recommendation of securities transactions for commission creates a conflict of interest in that SWS is economically incented to effect securities transactions for clients;
- The client is under no obligation to act upon SWS's recommendation; and
- If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through PKS.

All of our investment adviser representatives also are registered representatives of Charles Schwab & Co. ("Schwab"). We discuss any potential conflicts of interest with broker/dealers we use to execute transactions in client accounts, including through Schwab, in Items 4 and 9.

SWS and Bower Hill Capital Management, LLC ("Bower Hill") are affiliated entities. SWS has entered into a sub-advisory relationship whereby Bower Hill will act as the sub-adviser to SWS advisory clients. Please be advised there is a conflict of interest in that SWS has an economic incentive to utilize and/or recommend Bower Hill as opposed to other investment managers. SWS manages this conflict by (i) ensuring the investment manager utilized for the client is appropriate given the client's goals, objectives, and tolerance for risk, and (ii) disclosing such conflict to prospective advisory clients.

## **Code of Ethics, Participation in Client Transactions and Personal Trading**

We expect our investment adviser representatives to always act in your best interests, and to place your interests ahead of their own. We have adopted a Code of Ethics (the "Code") that sets forth the standard of business conduct expected from each member of our team.

The Code restricts trading in any security for which we believe we may be privy to material non-public information. It also places restrictions on trading by our managers and investment adviser representatives (which we refer to as "personal trading") to prevent any conflict of interest between personal trading and client trading. The Code limits gifts and entertainment, whether received or given, to avoid conflicts of interests. The Code causes all outside business activities of our team members to be disclosed so that potential conflicts can be detected and addressed. Finally, it limits the political contributions of our managers and investment adviser representatives to prevent any potential conflicts in that area as well. All our managers, investment adviser representatives and employees must accept in writing the terms of the Code upon employment, annually, and as amended.

We will provide a copy of the Code to any client or prospective client upon request. If you would like a copy, please contact our Chief Compliance Officer at the telephone number or the address specified on the cover page of this brochure.

The strategies we use to manage client accounts also are used to manage accounts maintained by SWS, its members, investment adviser representatives and employees. As a result, we (or our members, investment adviser representatives and employees) may (i) invest in the same securities or related securities (for example, warrants, options or futures) that we recommend to our clients, (ii) buy or sell securities for our own accounts at the same time that we recommend, buy or sell the same securities for client accounts, or (iii) include buy or sell orders in an aggregated transaction along with client buy or sell orders. To address any potential conflicts of interest from this practice, we may not trade in a manner that would be adverse or detrimental to client trades, and we always allocate partially filled orders to client accounts before allocating to our accounts.

We do not buy or sell for your account securities in which SWS, or its members, investment adviser representatives or employees, have a material financial interest.

## **Factors Used to Select Broker-Dealers for Client Transactions**

### **Custodian Recommendations**

With respect to our wrap fee programs, SWS requires that clients establish brokerage accounts with Charles Schwab & Co., Inc. (“custodian” and/or “Schwab”), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. Please be advised that this arrangement creates an incentive to minimize trading and therefore transaction costs allowing the firm retain more of the wrap fee you pay. SWS is independently owned and operated and not affiliated with custodian. For SWS client accounts maintained in its custody, the custodian generally does not charge separately for custody services as the wrap fee that you pay includes applicable trading costs.

### **Research and Other Soft Dollar Benefits**

The firm does not utilize soft dollar services. The custodian provides SWS with access to its 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. These services are not contingent upon SWS committing to a custodian any specific amount of business (assets in custody or trading commissions). 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.

### **Other Products and Services**

Custodian also makes available to SWS other products and services that benefit SWS 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 SWS's accounts, including accounts not maintained at custodian. The custodian may also make available to SWS 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 SWS'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 SWS 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 SWS personnel. In evaluating whether to recommend that clients custody their assets at the custodian, SWS 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.

### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to SWS. 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 SWS.

### **Additional Compensation Received from Custodians**

SWS participates in Schwab's institutional customer program. There is no direct link between SWS's participation in such program and the investment advice it gives to its clients, although SWS receives economic benefits through its participation in the program 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 SWS 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 SWS by third-party vendors

Schwab may also pay for business consulting and professional services received by SWS's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for SWS's personnel to attend conferences). Some of the products and services made available by Schwab through its institutional customer programs may benefit SWS but may not benefit its client accounts. These products or services may assist SWS 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 SWS manage and further develop its business enterprise. The benefits received by SWS or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

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

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

### **The Firm's Interest in Schwab's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. These services are not contingent upon the firm committing any specific amount of business to the custodian in trading commissions or assets in custody. This

minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

### **Brokerage for Client Referrals**

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

### **Directed Brokerage**

#### **SWS Recommendations**

With respect to its wrap fee programs, SWS requires Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **Client-Directed Brokerage**

Occasionally, clients may direct SWS 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 SWS 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. SWS loses the ability to aggregate trades with other SWS advisory clients, potentially subjecting the client to inferior trade execution prices as well as additional commissions in addition to the applicable wrap fee.

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

### **Best Execution**

In managing client wrap fee accounts, SWS has the authority to make all determinations as to securities to be bought and sold, the amounts of securities to be bought or sold, and the broker to be used. As part of its discretionary responsibilities, SWS seeks best execution under the circumstances on each trade placed on your behalf.

### **Trade Aggregation and Allocation**

SWS may aggregate orders for the same securities purchased for a number of client accounts. Trade aggregation is performed to ensure, to the extent possible, optimal execution and consistent results across our client base. Accounts owned by the SWS or its managers, investment adviser representatives or employees may participate in aggregated orders; however, they will not be given preferential treatment. Occasionally, we may only partially fill an aggregated order. Under those circumstances and to the extent it makes practical

sense, we allocate the order on a pro rata basis among the applicable client accounts and do not allocate to firm or employee accounts unless all client orders are fully filled. The allocation of the shares purchased is not based on account performance or the amount or structure of management fees. There may be instances when partially filled orders may adversely affect the size of the position or the price you pay or receive, as compared with the size of the position or price that you would have paid or received had no aggregation occurred.

## **Review of Accounts**

Our investment adviser representatives review client accounts quarterly and may reposition assets to bring the actual allocations closer to the chosen strategy's target allocations, unless the client has requested otherwise. Account transactions are reviewed on an ongoing basis to ensure consistency with client objectives and restrictions, if any. Significant market or client-specific events may cause us to review an account on a more frequent basis. Our investment adviser representatives meet with clients in-person, by telephone or via webcasts on an agreed upon basis, but on at least an annual basis. Clients are encouraged to notify SWS of any changes in their financial situation, needs or investment objectives, or the suitability of the investment strategy developed for them.

Clients receive transaction confirmation notices and regular summary account statements directly from Schwab. SWS also provides clients with periodic reports. These written reports generally contain account holdings, investment results and other data relevant to your account. We urge clients to carefully review these reports and compare the statements received from the Financial Institution with the reports that we provide. The information in our reports may vary from the Financial Institution's statements based on accounting procedures, reporting dates or the valuation methodologies of certain securities.

## **No Compensation for Client Referrals**

We do not currently compensate any person for client referrals.

## **Other Compensation**

Other than the compensation described in Item 4, SWS does not receive any compensation from anyone other than its clients.

## **Financial Information**

In certain circumstances, registered investment advisers are required to provide clients or prospective clients with financial information or disclosures about their financial condition. SWS has no financial commitments that impairs our ability to meet our contractual or fiduciary commitments to you and has never been the subject of any bankruptcy proceeding.

**Item 10 - Material Relationships Maintained by this Advisory Business or Management Persons with Issuers of Securities**

Other than what has been supplied in response to Item 9 of this Brochure, there is no additional information to disclose.