

**CWS FINANCIAL ADVISORS WRAP FEE PROGRAM**

Sponsored by

**CWS FINANCIAL ADVISORS LLC**

*a Registered Investment Adviser*

405 West Michigan Avenue  
Kalamazoo, MI 49007

(269) 349-4600

[www.cwsfas.com](http://www.cwsfas.com)

This brochure provides information about the qualifications and business practices of CWS Financial Advisors LLC (hereinafter “CWSFA” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, CWSFA is required to discuss any material changes that have been made to the brochure since the last annual amendment. The Firm has updated Item 4 to reflect that the Firm's annual fee for investment management services is based upon the market value of the average daily account balance. The Firm has no other changes to disclose in this Item.

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## Item 4. Advisory Business

The CWS Financial Advisors Wrap Fee Program (the “Program”) is an investment advisory program sponsored by CWSFA. In addition to the Program, the Firm offers a variety of advisory services, which include financial planning, consulting, retirement plan consulting and investment management services under different arrangements than those described herein. Prior to CWSFA rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with CWSFA setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

CWSFA filed for registration as an investment adviser in April 2018 and owned by Joseph Splendorio, Lindsey Splendorio, and Cory Wietfeldt. As of July 30, 2018, CWSFA had \$832,993,923 assets under management, \$659,519,266 of which was managed on a discretionary basis and \$173,474,657 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of CWSFA, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on CWSFA’s behalf and is subject to the Firm’s supervision or control.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must also open a new securities brokerage account and complete a new account agreement with Charles Schwab & Co., Inc. (“Schwab”) through its Advisor Services division, or another broker-dealer that CWSFA approves under the Program (collectively “Financial Institutions”).

Clients’ investment portfolios are generally managed on a discretionary or non-discretionary basis by either CWSFA’s investment adviser representatives or an independent investment manager (collectively “Independent Managers”), as recommended or selected by CWSFA. CWSFA and/or the Independent Managers generally allocate clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

## *Financial Planning and Consulting Services*

CWSFA offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- Cash Flow Forecasting
- Social Security Planning
- Education Planning
- Estate Planning
- Retirement Planning
- Tax Planning
- Budgeting Support

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, CWSFA is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. CWSFA recommends certain clients engage the Firm for additional related services and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage CWSFA or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by CWSFA under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising CWSFA's recommendations and/or services.

## *Investment and Wealth Management Services*

CWSFA manages client investment portfolios on a discretionary or non-discretionary basis. In addition, CWSFA provides certain clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

CWSFA primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), independent investment managers ("Independent Managers"), and limited individual debt and equity securities in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage CWSFA to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity

contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, CWSFA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

CWSFA tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. CWSFA consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify CWSFA if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if CWSFA determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### *Use of Independent Managers*

As mentioned above, CWSFA selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

CWSFA evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. CWSFA also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

CWSFA continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. CWSFA seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

### **Fees for Participation in the Program**

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The Program is offered on a fee basis, which includes fixed fees, as well as fees based upon assets under management (sometimes referred to as the "Program Fee").

## *Financial Planning and Consulting Fees*

CWSFA charges a fixed fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$250 to \$7,500 depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, CWSFA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and CWSFA requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

## *Investment Management Fees*

CWSFA offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies between 30 and 100 basis points (0.30% – 1.00 %), depending upon the size and composition of a client's portfolio and the type of services rendered. In addition, the Firm can be engaged to provide wealth management services which include investment management and financial planning and consulting services. The wealth management services are offered for a fixed fee or asset-based fee depending upon the size and composition of the portfolio as well as the type and amount of financial planning and consulting services provided.

The annual fee is prorated and charged quarterly, arrears, based upon the market value of the average daily account balance. Since the asset-based fee is determined by average daily account balance, if assets are deposited into or withdrawn from an account after the inception of a quarter, the base fee payable with respect to such assets is adjusted accordingly. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

For asset management services the Firm provides with respect to certain client holdings (e.g., concentrated or legacy positions, held-away assets, accommodation accounts, alternative investments, etc.), CWSFA may negotiate a fee rate that differs from the range set forth above. In addition, the Firm can segregate certain large, low basis, low turnover single stock positions into a separate account and provide consulting services without ongoing investment management for a lesser asset-based fee. The consulting services can include reporting and incorporation into overall asset allocation, as well as periodic advice. The services described in this paragraph are generally unwrapped, meaning that clients will pay a lower fee, but will pay brokerage transactions charges as described in the Firm's Disclosure Brochure.

## **Fee Comparison**

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As referenced above, a portion of the fees paid to CWSFA are used to cover certain securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios. Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm absorbs certain transaction costs when managing accounts through the Wrap Program, the Firm has an incentive not to place transaction orders in those accounts since doing so increases the Firm's transaction costs. Thus, an incentive exists to place trades less frequently in the Wrap Program.

## **Fee Discretion**

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CWSFA may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities. Clients that were clients of the Firm's Supervised Persons with a prior financial institution ("Legacy Clients") will often have a lower fee. The Firm can offer the lower fee to Legacy Clients that held single stock or ETF portfolios, or certain mutual fund share classes that cost more than institutional share classes while clients of the prior financial institution.

## **Other Charges**

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In addition to the advisory fees paid to CWSFA, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges include fees for trades executed away from Schwab, mark-ups and mark-downs on fixed-income transactions, fees charged by the Independent Managers, fees attributable to alternative assets, reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund Program Fees and other fund expenses), fees and commission for assets not held with Schwab (such as 401(k) or 529 plan assets), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

In addition, as described above, where the Firm provides services to clients regarding concentrated (including large, low basis, low turnover single stock positions) or legacy positions, held-away assets, accommodation accounts, alternative investments, etc., CWSFA may negotiate a fee rate that differs from the range set forth above. The services in those situations will be provided outside of the Wrap Program.

## **Direct Fee Debit**

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Clients provide CWSFA and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to CWSFA. Alternatively, clients may elect to have CWSFA send a separate invoice for direct payment.

## **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to CWSFA's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to CWSFA, subject to the usual and customary securities settlement procedures. However, CWSFA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. CWSFA may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

## **Use of Margin**

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CWSFA may recommend that certain clients utilize margin in the client's investment portfolio or other borrowing. CWSFA only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed gross of any margin or borrowing.

## **Compensation for Recommending the Program**

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CWSFA has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

**Item 5. Account Requirements and Types of Clients**

CWSFA offers services to individuals, trusts, estates, charitable organizations, corporations and business entities.

**Item 6. Portfolio Manager Selection and Evaluation**

Clients' investment portfolios are managed either directly by CWSFA or through the use of certain Independent Managers, as referenced above.

**Side-By-Side Management**

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CWSFA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

**Methods of Analysis and Investment Strategies**

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CWSFA employs a strategic, long-term, objective-based approach to client portfolio construction. Client portfolios are constructed primarily of mutual funds, exchange traded funds and individual securities. CWSFA may choose to engage third-party asset managers on behalf of clients based on individual client preference, risk tolerance and tax considerations.

Through client meetings and information gathering, CWSFA works with individual clients to determine long-term goals, objectives and risk tolerance. After taking a comprehensive view of a client's financial picture, CWSFA will then construct client portfolios to broadly support three main objectives: growth of capital, income generation, and/or conserving wealth. Individual client objectives in many cases will strike a balance between all three of these main objectives. Tax implications are an important consideration in individual client portfolio construction. CWSFA does not believe that market timing is additive to long-term client returns. As such, client portfolio holdings tend to be low turnover.

For manager selection, CWSFA believes that past performance of a manager is not a strong indicator of future success. Therefore, the Firm's process of manager selection relies more heavily on qualitative measures such as firm pedigree, manager experience, firm philosophy & process. Investment cost is an important consideration in CWSFA's manager selection as qualitative historical data shows that lower cost investment strategies tend to outperform higher cost investment managers over time. Because of these determining factors, CWSFA tends to employ a limited roster of mutual fund families and investment managers that meet these criteria.

CWSFA believes that individual client situations vary greatly and the opportunity set dictated by prevailing market conditions can also vary greatly over different time periods. Therefore, the Firm believes that strict style box or asset allocation parameters can be detrimental and counterproductive to the long-term investment experience of clients. CWSFA will often utilize objective based, multi-class mutual funds that allow investment managers to seek out the best global opportunities across asset classes to meet client objectives.

Portfolio guidelines for three main client objectives:

*Growth of Capital:* Generally an allocation of 85% or greater to global equities.

*Income Generation:* Generally designed to support clients in a portfolio “withdrawal” phase. Allocation can vary greatly based on client time horizon, risk tolerance and market conditions. Generally, an allocation of 25% to 100% global equities, equities may carry a dividend yield focus.

*Conserving Wealth:* Generally an allocation of less than 50% to global equities.

## **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm’s investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of CWSFA’s recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that CWSFA will be able to predict these price movements accurately or capitalize on any such assumptions.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

## *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

## *Equity-Related Securities and Instruments*

The Firm may take long in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

## *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares

or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Use of Independent Managers*

As stated above, CWSFA selects certain Independent Managers to manage a portion of its clients' assets. In these situations, CWSFA continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, CWSFA does not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Concentrated Positions*

Over time, a significant portion of a client's account may become concentrated in a particular security, industry or market which adds risk to the portfolio in case those holdings lose value.

#### *International Investments*

Investments in international and emerging market securities include exposure to risks such as currency fluctuations, foreign taxes, regulations and the potential for political instability.

#### **Voting of Client Securities**

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CWSFA generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

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

In this Item, CWSFA is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. Clients participating in the Program generally grant CWSFA the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. CWSFA may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Independent Managers' investment decisions remain aligned with

its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

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

In this Item, CWSFA is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with CWSFA. Clients can request to contact the Independent Managers managing their portfolios through CWSFA by providing the Firm with written request and identification of the questions or issues to be discussed with the Independent Managers. After receiving the client's written request, CWSFA, at its sole discretion, may contact the Independent Managers for the client or arrange for the Independent Managers and the client to communicate directly. The Independent Manager may not agree to communicate directly with the client.

## **Item 9. Additional Information**

### **Disciplinary Information**

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CWSFA has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

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This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

### **Code of Ethics**

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CWSFA has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. CWSFA's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of CWSFA's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited

offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact CWSFA to request a copy of its Code of Ethics.

### **Account Reviews**

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CWSFA monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least an annual basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with CWSFA and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and annually to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and General Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from CWSFA and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account

holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from CWSFA or an outside service provider.

## **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

## **Receipt of Economic Benefit and Brokerage Practices**

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CWSFA recommends that clients utilize the custody, brokerage and clearing services of Charles Schwab & Co., Inc. ("Schwab") through its Advisor Services division for investment management accounts. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. CWSFA is independently owned and operated and not affiliated with Schwab. Schwab provides CWSFA with access to its institutional trading and custody services, which are typically not available to retail investors. Clients that do not wish to use Schwab can engage the Firm through a non-wrap relationship.

Factors which CWSFA considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab has also agreed to reimburse clients for exit fees associated with moving accounts to Schwab. The reimbursement is only available up to a certain amount for all of the Firm's clients over a twelve month period. Fees are reimbursed on a first-come-first-served basis so that no clients are favored.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist CWSFA in its investment decision-making process. Such research will be used to service all of the Firm's clients. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because CWSFA does not have to produce or pay for the products or services.

CWSFA periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

CWSFA receives without cost from Schwab administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow CWSFA to better monitor client accounts maintained at Schwab and otherwise conduct its business. CWSFA receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits CWSFA, but not its clients directly.

Clients should be aware that CWSFA's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services, especially because the support is contingent upon clients placing a certain level(s) of assets at Schwab. In fulfilling its duties to its clients, CWSFA endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, CWSFA receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

In addition, the Firm receives funds to be used toward eligible third party vendor services and services provided by Schwab affiliates for marketing, technology, consulting or research expenses. The payments are distributed upon the Firm hitting \$150 million, \$250 million, \$500 million, and \$750 million in transferred assets held at Schwab during the next the twelve months starting on the date that agreement between the Firm and Schwab is signed.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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.

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of CWSFA by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist CWSFA in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to CWSFA other services intended to help the Firm manage and further develop its business enterprise. These services may

include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, CWSFA endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless CWSFA decides to purchase or sell the same securities for several clients at approximately the same time. CWSFA may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among CWSFA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which CWSFA's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. CWSFA does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Financial Information**

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CWSFA is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.