



## FIRM BROCHURE

### Form ADV Part 2A

MARCH 30, 2020

BSW Wealth Partners, Inc., a Public Benefit Corporation

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This brochure provides information about the qualifications and business practices of BSW Wealth Partners, Inc., a Public Benefit Corporation ("BSW"). If you have any questions about the contents of this brochure, please contact us at 303-444-9696 or [info@bsw.com](mailto:info@bsw.com). 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 BSW is available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BSW is registered with the SEC as an investment adviser and conducts itself accordingly. Such registration requires that we conduct our business in accordance with the Investment Advisers Act of 1940 but does not imply a certain level of skill or training.

## Item 2 - Material Changes

BSW is required to disclose material changes to each update to its Form ADV Part 2A (the “Brochure”).

This Brochure dated March 30, 2020, replaces the March 29, 2019 version. Key updates were made to the following sections since the last annual amendment:

- Item 4 – Advisory Business – was revised to include new service offerings for Executive Financial Consulting and Non-Fiduciary 401(k) Plan Consulting.
- Item 5 – Fees and Compensation – was revised to include specifics regarding fees for Executive Financial Consulting and Non-Fiduciary 401(k) Consulting.
- Item 7 – Types of Clients – was revised to more accurately list client types.
- Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – was revised to reflect a change in BSW’s portfolio rebalance policy. Whereas client portfolios were previously rebalanced at least twice per year based on a time trigger, client portfolios are now rebalanced based on a threshold/drift trigger.

### Item 3 - Table of Contents

|  |    |
|--|----|
| Item 2 - Material Changes .....  | 2  |
| Item 4 - Advisory Business.....  | 4  |
| Item 5 - Fees and Compensation.....  | 7  |
| Item 6 – Performance-Based Fees.....   | 10 |
| Item 7 - Types of Clients.....   | 10 |
| Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....                           | 10 |
| Item 9 - Disciplinary Information .....  | 13 |
| Item 10 - Other Financial Industry Activities and Affiliations.....                                  | 13 |
| Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 14 |
| Item 12 - Brokerage Practices.....   | 15 |
| Item 13 - Review of Accounts.....  | 17 |
| Item 14 - Client Referrals and Other Compensation .....  | 17 |
| Item 15 - Custody .....  | 18 |
| Item 16 - Investment Discretion .....  | 18 |
| Item 17 - Voting Client Securities .....   | 18 |
| Item 18 - Financial Information .....  | 18 |

## Item 4 - Advisory Business

Overview: BSW Wealth Partners, Inc. a Public Benefit Corporation is a Colorado Public Benefit Corporation (“PBC”) founded in 1992. BSW is a fee-only, woman-founded, 100% employee owned, independent wealth advisor providing financial and investment advice to private investors from offices in Boulder and Denver. BSW’s clients are primarily successful individuals and families - sometimes spanning multiple generations - who are wealthy enough to need a partner to assist them with the primary goal of protecting and growing their capital over the long-term. BSW also provides consulting services to companies and their corporate executives as well as to 401(k) plan sponsors.

Beginning March 14, 2019, advisory services are provided by BSW Wealth Partners, Inc., a Public Benefit Corporation as the successor to BSW Wealth Partners, LLC. In 2019, BSW elected to change its corporate and legal structure from a limited liability company to a PBC. PBCs are for-profit enterprises that also vow to do good in the world and by their stakeholders. Although the corporate and legal form of BSW changed, the people and services remain the same. BSW’s statement of public purpose is:

To 'Make Life Better' for BSW clients, staff and our broader community by building a long-term sustainable and environmentally considerate business that helps our clients and stakeholders achieve both financial security and lives of meaning, abundance, and fulfillment.

Ownership: BSW is currently owned by eight individuals, each of whom is actively engaged in BSW’s business:

|                  |        |                 |       |
|------------------|--------|-----------------|-------|
| Debi Baydush:    | 10.00% | Raliegh Riddoch | 5.00% |
| Drew Simon:      | 21.00% | Tim Wojtalik    | 5.00% |
| Benjamin Weaver: | 25.00% | Matthew Samek   | 3.00% |
| David Wolf:      | 29.00% | Julie Martinez  | 2.00% |

Services: BSW provides investment management and other financial advisory services. Services are based on a client’s individual needs and may include:

### Investment Supervisory Services:

- Analyzing client’s investments coming under BSW’s supervision;
- Determining client’s short and long-term investment objectives, time horizon, concerns, experience, and risk profile;

- Developing an investment plan and related financial strategies designed to achieve client's objectives, including investment policy guidelines;
- Implementing investment strategies as appropriate, including portfolio monitoring, periodic rebalancing, and specific portfolio changes, as appropriate;
- Monitoring client's portfolio on a regular basis and recommending specific changes as necessary;
- Maintaining regular communication with the client; and
- Preparing periodic investment reports for client.

#### Planning Services:

- Preparing periodic financial security analyses;
- Reviewing annual contribution and withdrawal summary; and
- Managing required minimum distributions.

#### Other Financial Advisory Services:

- Wealth Planning: Helping clients understand the level of assets, allocation, savings, and long-term investment returns needed to achieve their financial goals.
- Tax & Estate Planning / Coordination: Discussing general tax, wealth transfer and estate planning concepts with clients and qualified attorneys, CPA's and other professionals to fully develop suitable strategies. BSW does not provide legal advice and its Tax & Estate Planning advice should not be considered legal or tax advice. BSW will coordinate the resulting strategies with client's investment and financial planning, as appropriate.
- Diversification Planning: Designing and implementing strategies to manage risk and handle concentrated positions of various assets such as real estate, business assets, inherited stock, founder's stock, optioned stock, and highly appreciated (low basis) stock.
- Charitable Gifting Strategies: Discussing and evaluating strategies to meet client's charitable objectives, including the potential

economic and tax implications of such strategies. This may include assisting with establishing, funding and managing charitable trusts, foundations, and not-for-profit entities.

- Employee Stock Options: Designing and implementing strategies for the funding, exercise, and sale of employee stock options, including analysis of the economic and income tax implications of such strategies.
- Specialized Planning: Assisting with business/exit planning; cash flow planning; college planning; retirement planning; debt planning; and, philanthropic planning.

#### Executive Financial Advising:

Financial planning is also offered as “packaged” consulting service for corporate executives. Under this arrangement, companies engage BSW to provide a suite of financial planning and consulting services to their corporate executives. The corporate executives receive strategic financial planning guidance which generally includes confirmation of executive’s investment goals, objectives, risk profile, time horizon considerations, savings and spending targets, values and impact alignment, and goal setting. Additional planning services may include investment and retirement planning, education/college planning, debt planning, insurance review, estate planning, and tax and charitable planning. Executive Financial Advising is offered as a fixed fee for specific consulting projections within specific time parameters. BSW’s financial planning and consulting fees are negotiable.

#### Non-Fiduciary 401(k) Services:

BSW provides non-fiduciary consulting services to 401(k) plan sponsors and participants including:

- Strategic guidance, planning and education in the form of assisting in group enrollment meetings focusing on increasing plan participant investment and financial understanding and assisting with annual education of participants regarding general investment principles and the investment alternatives under the plan.
- Coordinating annual benefits committee discussions including participating in annual plan oversight committee meetings and attending annual meeting with benefits director.
- Values alignment to support participants, benefits director and benefit committee with the alignment of 401(k) plan with participant and organizational values.
- Providing an annual impact investment report.

- Assisting with financial education seminars on-site and/or virtual.
- Facilitating one-on-one participant meetings on-site and/or virtual.

Account Restrictions: Clients may impose reasonable restrictions on investing in certain securities, types of securities or industry sectors by including such restrictions in BSW's written investment policy guidelines.

Because some types of investments involve certain additional degrees of risk, they will only be implemented or recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

Wrap Fee Programs: BSW does not participate in, nor is it a sponsor of, any wrap fee programs.

Assets Under Management: As of December 31, 2019, BSW's total assets under management were approximately \$1,237,125,570.

- Assets managed on a discretionary basis were approximately \$1,230,087,897.
- Assets managed on a non-discretionary basis were approximately \$7,037,673.

#### General Statement of Ethical Principles

- BSW will, at all times, place the interests of its clients first;
- All personal securities transactions will be conducted in such a manner as to avoid any actual or potential conflict of interest or any abuse of BSW's position of trust and responsibility;
- BSW will not take inappropriate advantage of its position;
- BSW will uphold the fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential;
- BSW will uphold the principle that independence in the investment decision-making process is paramount; and
- BSW will always act with honesty, integrity, and professionalism.

### Item 5 - Fees and Compensation

BSW is an independent, fee-only advisory firm. As such, BSW is compensated for its services using one or more of the methods described below. BSW's billing method will be disclosed to and agreed to by client per the terms of the client's written investment advisory or consulting agreement with BSW.

Compensation Methods: BSW's fees are described generally below and detailed in each client's advisory agreement or applicable account documents.

Wealth Management, Private Client, and Family Office clients may choose between: (1) an asset-based fee; or (2) a fixed fee, as further described below. All fees are subject to negotiation.

- (1) Asset Based Fee: BSW generally charges an asset-based fee for its asset management and advisory services, calculated according to the following fee schedule:

| <u>ASSETS UNDER MANAGEMENT</u>         | <u>ANNUAL RATE</u> |
|--|--------------------|
| The first \$2,000,000 of client assets | 1.00%              |
| The next \$3,000,000 of client assets  | 0.75%              |
| The remainder                          | 0.50%              |

Minimum Fee: BSW's minimum fee varies based on the service selected by each client, subject to the following minimum fee schedule:

| <u>SERVICE</u>    | <u>MINIMUM FEE</u>   |
|-------------------|----------------------|
| Wealth Management | \$1,250 per quarter  |
| Private Client    | \$2,500 per quarter  |
| Family Office     | \$10,000 per quarter |

Please Note: BSW, in its sole discretion, may waive or reduce its minimum fee requirements based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, legacy fee arrangements, related accounts, account composition, competitive pricing, negotiations with the client, etc.). As a result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

- (2) Fixed Fee: BSW and the client may agree to negotiate a fixed quarterly fee instead of an asset-based fee for BSW's investment management, and/or advisory services. Fixed fees often arise where BSW provides non-discretionary investment management services. The fixed fee is negotiable by the client and BSW.

Financial Planning for Corporate Executive:

Financial planning is offered as "packaged" consulting service for corporate executives. Under this arrangement, a fixed fee for specific consulting projects within specific time parameters is established. BSW's financial planning and consulting fees are negotiable, but generally range from \$7,500 to \$25,000 on a



fixed fee basis, depending upon the number of executives and the level and scope of the services(s) required.

Non-Fiduciary 401(k) Consulting Services:

Plan Sponsors may choose between: (1) an asset-based fee or (2) a fixed fee depending on the size of the plan and scope of services. Asset based fees typically range from 0.25% to 0.50% of plan assets with breakpoints (10 basis point fee reduction) at \$3 million and \$5 million of plan assets.

Hourly Fee: When providing services outside of the scope of an investment advisory or consulting agreement, BSW may charge an hourly fee. BSW's hourly billing rate is generally \$300 per hour.

Negotiability of Advisory Fees: BSW uses the above fee schedules as a guideline as all fees are negotiable. BSW retains the discretion to negotiate alternative fees and fee arrangements, or waive fees entirely, based on particular elements of the client portfolio, such as the complexity of the client, assets to be placed under management, anticipated future additional assets, the existence of related accounts, portfolio style, account composition, employee-related accounts, and reports, among other factors.

Travel Expenses: Travel related expenses incurred by BSW on client's behalf will be reimbursed by the client.

Other Expenses: In addition to BSW's compensation described above, the client will incur various trading commissions, transaction fees, mutual fund expenses, separately managed account or sub-manager fees and administrative costs in the implementation of BSW's recommendations. BSW will receive no compensation from these sources.

Method and Timing: BSW's fees are billed and payable quarterly in advance based on the total value of all assets under BSW's supervision on the last day of the previous quarter. For Non-Fiduciary 401(k) Consulting clients, the fee is based on the value of the plan assets as of the last day of the previous quarter. Clients may select whether fees are to be deducted from client's BSW managed assets or paid from other sources.

Termination and Refunds: Client or BSW may terminate their agreement at any time upon written notice. For Non-Fiduciary 401(k) Consulting clients, this written notice must be provided at least thirty (30) days in advance. If BSW and client's relationship is terminated prior to the end of a billing period, BSW will prorate and refund the paid but unearned portion of client's fee for that period back to the client.

## Item 6 – Performance-Based Fees

BSW is required to disclose if any accounts are charged performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client). This type of fee structure may, under certain circumstances, create a conflict with client interests. BSW does not charge any performance-based management fees.

## Item 7 - Types of Clients

BSW advises and provides financial planning services to a diverse cross-section of clients, including:

- Individuals and Families (other than high net worth individuals);
- High net worth individuals;
- Pension and Profit-sharing plans;
- Trusts and Estates;
- Corporations;
- Plan Sponsors;
- Charitable and other not-for-profit organizations;
- Other business entities not included above.

BSW does not have a required minimum account size though, as indicated previously in Item 5 – Fees and Compensation, BSW does have a minimum quarterly fee, which may be waived or reduced at BSW's sole discretion.

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

BSW takes a top down approach to tactical asset allocation and uses a relative growth/valuation framework to determine sub-asset classes. This top down framework allows BSW to assess the investing environment and provide recommendations as to when and where it may be advantageous to modify exposures within the asset classes.

Growth Strategies: BSW's growth strategies consist of investments spanning a broad range of asset classes that are selected for their long-term risk/return characteristics as well as their correlation to the overall markets and BSW's portfolio as a whole. The resulting blended allocation is used as the foundation for the client's growth portfolio. The portfolio is rebalanced at the macro asset class level based on a relative drift in client growth allocations versus client portfolio macro growth allocation targets. By utilizing a threshold-based trigger, there is no guarantee as to the number of times a portfolio is rebalanced in a given year.

Other asset classes and opportunistic investments are added to the growth portfolio to create a customized allocation that is appropriate for client's investment objectives, time horizon, and risk tolerance. Examples of investments which may be included as part of BSW's growth strategies include equities, mutual funds, exchange traded funds, real estate, hedge funds, and private equity placements.

Risks Associated with Growth Strategies: Investing for growth involves risks of loss that clients should be prepared to bear including total loss of investment placement vehicles and alternative investments' principal, fluctuation of investment values, illiquidity, inability to liquidate investments without incurring losses, total loss of purchasing power and total loss of income. More specifically, the following risks specific to investing in private described in greater detail:

Risk of Private Investment Vehicles: BSW recommends that certain clients invest in privately placed collective investment vehicles, such as private equity placements. Because private investment vehicles are not registered investment companies, they are not subject to the same regulatory reporting or oversight as a registered entity.

Alternative Investments: BSW may use alternative investments when permitted by the particular client's investment objectives. These funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the client. There are numerous other risks in investing in these securities.

Fixed Income Strategies: Fixed income investments such as bonds, notes, and certificates of deposit are intended to provide diversification, generate income, and to preserve and protect assets. Generally, the stabilizing influence of fixed income comes at the cost of lower returns relative to growth investments. BSW's fixed income portfolios generally consist of high quality domestically issued bonds, both taxable and tax-free. Examples of investments which may be included as part of BSW's fixed income strategies include individual government, municipal, and corporate bonds, certificates of deposits, direct loans, mutual funds, exchange traded funds and money markets.

Risks Associated With Fixed Income Strategies: Fixed Income investing involves risks of loss that clients should be prepared to bear including total loss of purchasing power, total loss of income, fluctuation of investment values, total loss of investment principal, illiquidity, and inability to liquidate investments without incurring losses.

Risks associated with investments offered through BSW may include:

All investments and investment strategies involve various risks, and there is no guarantee that any investment or investment strategy will meet its objective. BSW will keep in mind each client's investment objectives, risk tolerance, time horizon and other pertinent information when recommending an investment or investment strategy. However, investing in securities involves the risk of loss of principal that clients should be prepared to bear.

Credit Risk: The financial soundness of an issuer (borrower) is often measured by a credit rating agency such as Standard & Poors, Moody's or Fitch. The rating agencies attempt to measure the ability of an issuer to pay the interest and principal payments on their debt. Typically, the higher the issuer's credit rating the lower the expected investment return will be.

Liquidity Risk: Liquidity risk is the risk that there may be limited buyers for a security when an investor wants to sell. Typically, this results in a discounted sale price in order to attract a buyer.

Default Risk: A default occurs when an issuer fails to make payment on a principal or interest payment.

Event Risk: Event risk is difficult to predict because it may involve natural disasters such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.

Political Risk: Political risk is the risk associated with the laws of the country, or to events that may occur there. Particular political events such as a government's change in policy could restrict the flow of capital.

Market Risk: Market risk refers to the financial markets as a whole declining, causing the value of all securities to decline regardless of the individual characteristics of a particular security.

Mutual Funds and Exchange Traded Funds (ETFs) Risks: 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.

Duration Risk: Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate, and call feature. Duration is a way to compare how different bonds will react to interest rate changes. If a bond has a duration of five (5) years it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.

Inflation Risk: Inflation is the decline in the purchasing power of a dollar, meaning today's dollar will buy less tomorrow.

Interest Rate Risk: Interest rate risk refers to the relationship between the value of a bond and changing interest rates. A rise in interest rates will cause a decline in the value of a bond holding.

Reinvestment Risk: Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.

Tax Risk: For municipal bonds, depending on the client's state of residence, the interest earned on certain bonds may not be tax-exempt at the state level. Also, changes in federal tax policy may impact the tax treatment of interest and capital gains of an investment.

Disclosure Risk: The amount of public information available on any public or private investment.

Regulatory Risk: Market participants are subject to rules and regulations imposed by one or more regulators. Changes to these rules and regulations could have an adverse effect on the value of an investment.

Concentration Risk: The risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to your overall portfolio.

## 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 them or the integrity of their management.

As of the date of this Brochure, BSW does not have any legal, financial or other disciplinary items to report to you. BSW is obligated to disclose any disciplinary event that would be material to you when evaluating a client/adviser relationship.

## Item 10 - Other Financial Industry Activities and Affiliations

BSW's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

BSW is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

#### R3 Returns, LLC

R3 Returns, LLC (“R3”) is a wholly owned subsidiary of BSW. R3 earns advisory fees from non-BSW clients. R3’s compensation methods are described in R3’s ADV Part 2, which is provided to R3 clients initially and annually thereafter. BSW clients may utilize R3 investment strategies.

BSW does not receive compensation, directly or indirectly, from any source to whom it may refer or recommend clients.

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

Code of Ethics: As required by the Advisers Act, BSW has adopted a Code of Ethics (the “Code”) that emphasizes a set of high standards of conduct for all employees to observe. The Code governs a number of potential conflicts of interest which exist when providing advisory services to BSW clients. This Code is designed to enable BSW to meet its fiduciary obligation to BSW clients (or prospective clients) and to instill a culture of compliance within BSW. An additional benefit of the Code is to assist BSW in preventing violations of securities laws.

The Code is distributed to each employee at the time of hire and annually thereafter, and it is available on BSW’s intranet. BSW also supplements the Code with ongoing monitoring of employee activity.

The Code includes (among other things):

- Requirements related to confidentiality of client information;
- Prohibitions on:
  - Insider trading (if we are in possession of material, non-public information);
  - The acceptance of gifts and entertainment that exceed our policy standards;
- Requirements and reporting of gifts and/or entertainment;
- Pre-clearance of certain securities transactions;
- Reporting of personal securities transactions; and,
- Disclosure of accounts over which employees have beneficial interest.

On an annual basis, BSW requires all employees to certify that they are in compliance with the Code.

Potential Conflicts of Interest: BSW offers many different products and services and there are several potential conflicts of interest which may arise, including, but not limited to, those identified below. BSW has adopted and continues to adopt, policies and procedures to address such potential conflicts of interest.

BSW may recommend and/or direct the investment of client assets to be managed by R3. Such recommendations result in a conflict of interest due to the common control. However, this conflict is mitigated as R3 does not charge additional fees to client accounts jointly managed by BSW.

Participation or Interest in Client Transactions: BSW does not recommend to clients, or buy or sell for client accounts, securities in which BSW or a related person has a material financial interest.

Personal Trading: BSW employees may trade for their own accounts in securities which are purchased or sold for BSW's clients. Because BSW permits such personal trading, this creates the potential conflict that employees could use their knowledge of pending client transactions in an attempt to benefit their own personal transactions. For example, if an employee owns a security the employee knows BSW will be selling out of a client's account, the employee could sell the personal holding ahead of time in an effort to obtain a higher price than might exist when the client account holdings are sold.

To address conflicts related to personal trading, the Code requires employees to pre-approve certain types of securities transactions. In order to avoid either an actual or apparent conflict of interest, BSW will disclose the names of all such securities to client upon request.

You may request a copy of BSW's Code by contacting us at the address, telephone number or email on the cover of this Brochure.

## Item 12 - Brokerage Practices

Broker/Dealer Selection: BSW will recommend and select custodians/broker-dealers in a manner it believes to be consistent with its duty to seek "best execution," which is the obligation to seek to execute securities transactions for a client on terms that are the most favorable to the client under the circumstances. BSW does not charge a premium or commission on transactions, beyond the actual cost imposed by the custodian/broker-dealer.

Aggregate Trading: As a general matter, BSW will seek to allocate securities purchased for client accounts in a fair and equitable manner and will select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction. If BSW buys or sells the same securities on behalf of more than one client, it may, but is under no obligation



to, aggregate or bunch, to the extent permitted by applicable law and regulations, the securities to be purchased or sold for multiple clients in order to seek more favorable prices, lower brokerage commissions or achieve more efficient execution. In such cases, BSW will place an aggregate order with the broker on behalf of all such clients or its affiliates, partners, or employees or accounts in which BSW or its affiliates, partners, or employees have an interest. Securities purchased or proceeds of securities sold through aggregated orders will be allocated to the account of each client that bought or sold such securities at the average execution price. If less than the total of the aggregated orders are executed, purchased securities or proceeds will be allocated pro rata among the participating clients in proportion to their planned participation in the aggregated orders, or other applicable criteria determined in good faith by BSW.

Directed Brokerage: BSW permits clients to direct transactions to the broker/dealer of their choice. When applicable in such circumstances, BSW will advise the client that client may be unable to achieve most favorable execution of their transactions and/or that directing brokerage may cost them more money including higher brokerage commissions and transaction costs and/or less favorable prices than client accounts for which BSW selects the broker.

Research and Other Soft Dollar Benefits: While BSW has no formal soft-dollar program in which soft-dollars are used to pay for third-party services, BSW may receive research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft-dollar benefits"). BSW may enter into soft-dollar arrangements within the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will be advantaged from soft-dollar benefits, whether or not the client's transactions paid for it. BSW benefits by not having to produce or pay for the research, products or services, and BSW will have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that BSW's acceptance of soft-dollar benefits may result in higher commissions charged to the client.

Cross Transactions: BSW may engage in cross transactions to the extent permitted by, and in accordance with, the advisory agreement and all applicable laws and regulations. Cross transactions may be deemed to occur in instances where, for example, one BSW client is reducing an allocation to an Underlying Manager or position and another BSW client simultaneously is increasing its allocation of such Underlying Manager or position. As it has no affiliated broker-dealer engaged in the trading of securities, BSW does not engage in agency cross transactions.



## Item 13 - Review of Accounts

Reviews: Client accounts are electronically updated each business day. Account holdings are monitored on an ongoing basis. All client accounts are reconciled on at least a quarterly basis. Client portfolios are reviewed in detail at least quarterly. In addition, accounts are reviewed in the event of investment policy changes, changes to BSW's recommended portfolio and changes in individual client circumstances.

Reviewer: Accounts are reviewed by the client's portfolio manager, investment advisor representative, and/or a principal of the firm. Accounts are reviewed for investment allocation, holdings, performance and risk relative to client's goals and objectives.

Reports: Clients receive trading confirmations and statements from all firms having custody of client's liquid assets. Clients also receive periodic (generally quarterly) written reports and account valuations prepared by BSW. Periodic reports evaluate holdings, asset allocation, investment returns, and performance. Reports will be prepared more frequently than quarterly upon request by the client. In addition, upon request, BSW provides clients with dynamic reporting through their BSW Vault, providing the client the ability to view account holdings ad hoc. It is BSW's intention to, at some point in the future, transition all clients to dynamic reporting.

## Item 14 - Client Referrals and Other Compensation

BSW is required to provide each client with information regarding any relationships where BSW compensates individuals for client referrals. BSW greatly appreciates referrals from satisfied clients and partners but does not directly or indirectly compensate anyone who is not our supervised person for those referrals.

BSW will occasionally host client events for which BSW may be reimbursed for expenses via sponsorship(s) from entities such as unaffiliated registered investment advisory firms, professional (attorney, CPA, etc.) firms, and investment managers. In order to avoid an actual or apparent conflict of interest, BSW confers no preference on sponsors and makes no representations or agreements with sponsors as to current or future utilization of the sponsor's investments or services.

## Item 15 - Custody

All clients' accounts and assets are held in custody by unaffiliated qualified custodians, banks, broker/dealers, mutual fund company, or transfer agent; not with or by BSW or any of its associates. However, with respect to certain assets, we do possess a level of authority and/or legal capacity and for this reason BSW is considered to have custody of such assets. Such capacity comes from our ability to debit advisory fees from the client's account, our standing letters of authorization for certain clients, and our general power of attorney for certain clients.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains the client's investment assets. BSW urges each client to carefully review such statements and compare such official custodial records to the account statements that we provide. BSW statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients should not hesitate to contact BSW if there are any questions regarding their statements.

## Item 16 - Investment Discretion

BSW manages most client accounts on a discretionary basis. Prior to granting BSW discretionary authority, the client will approve such authority in client's written advisory agreement with BSW and shall execute all appropriate authorizations with qualified custodians for such authority. The client may elect to limit the scope of such authority at any time by providing written notice to BSW.

## Item 17 - Voting Client Securities

BSW abstains from voting proxies, except where permitted in the client's advisory agreement. When voting on behalf of a client, BSW will only cast proxy votes consistent with the best interest of the client and will identify any conflicts of interest that may arise related to voting proxies and disclose these to clients accordingly. BSW will retain documentation of any proxy research, vote information and related records related to the voting of proxies on behalf of clients.

## Item 18 - Financial Information

As an advisory firm having custody and exercising discretionary authority regarding client accounts, we are also required to disclose any financial condition reasonably likely to impair our ability to meet our contractual obligations to clients. BSW has no financial commitment that impairs its ability to meet our

contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

The requirement to provide an audited balance sheet is not applicable to BSW as it does not require or solicit prepayment of advisory fees six months or more in advance.