

**BRIGHTWATER ADVISORY WRAP PROGRAM**

Sponsored by



**Brightwater**  
**Advisory**

*A Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Brightwater Advisory, LLC (hereinafter “Brightwater” 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, Brightwater is required to discuss any material changes that have been made to the brochure since the last annual amendment dated March 28, 2019. The Firm does not have any material changes to disclose.

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## Item 4. Advisory Business

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

Brightwater was formed in 2013 and is wholly owned by David C. Maddux and Kathleen N. Maddux. As of December 31, 2019, Brightwater had \$184,042,035 of assets under management, \$178,382,390 of which was managed on a discretionary basis and \$5,659,645 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of Brightwater, 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 Brightwater’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 Schwab Advisor Services™ (“Schwab”) or another broker-dealer that Brightwater approves under the Program (collectively “Financial Institutions”).

At the onset of the Program, clients complete an investor profile describing 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, Brightwater assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are generally managed on a discretionary or non-discretionary basis by Brightwater’s investment adviser representatives. Brightwater generally allocates clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

## Fees for Participation in the Program

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The Program is offered on a fee basis, meaning participants pay a single annualized fee based upon assets under management (“Program Fee”).

This Program Fee generally varies between 100 and 150 basis points (1.00 % – 1.50 %) in accordance with the following blended fee schedule:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
First \$500,000	1.50%
Above \$500,000	1.00%

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Brightwater on the last day of the previous billing period.

If assets in excess of \$25,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. 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.

## Fee Comparison

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As referenced above, a portion of the fees paid to Brightwater 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 pays for the brokerage fees, the Firm has an incentive to engage in less transactions, or transactions that cost less to the Firm, including the use of mutual funds that do not have transaction charges, but have higher expenses to the client. The Firm reviews the frequency and type of investments made in client accounts to act in the client’s best interest.

## Fee Discretion

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Brightwater, in its sole discretion, may 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.

## **Other Charges**

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In addition to the advisory fees paid to Brightwater, 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 may include, 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.

## **Direct Fee Debit**

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In addition to the advisory fees paid to Brightwater, 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 may include 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 the Financial Institutions offered in the Program such as 401(k) or 529 plan assets as well as for fees for trades executed away from that Financial Institution (a conflict of interest exists where the firm avoids expenses by trading through a different Financial Institution), mark-ups and mark-downs on fixed-income transactions which cannot be paid by the Firm (or it is overly burdensome to determine the amount of such mark-ups / downs), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## **Account Additions and Withdrawals**

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Clients may make additions to and withdrawals from their account at any time, subject to Brightwater'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 Brightwater, subject to the usual and customary securities settlement procedures. However, Brightwater designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Brightwater 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.

## **Compensation for Recommending the Program**

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Brightwater 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**

Brightwater offers services to individuals, charitable organizations, corporations and business entities.

### **Minimum Account Requirements**

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Brightwater does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship.

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

Brightwater acts as the sponsor and sole portfolio manager under the Program.

### **Investment and Wealth Management Services**

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Brightwater manages client investment portfolios on a discretionary or non-discretionary basis through the Program. In addition, Brightwater provides certain clients with wealth management services which includes as discretionary and/or non-discretionary management of investment portfolios, as well as certain financial planning and consulting services (as described below).

In managing client portfolios, Brightwater primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, and/or certificates of deposit 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 Brightwater 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, Brightwater 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.

Brightwater tailors its investment management 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. Brightwater 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 Brightwater 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 Brightwater 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.

## **Financial Planning and Consulting Services**

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As set forth above, Brightwater offers clients a broad range of financial planning and consulting services through the Program, which include any or all of the following functions:

- Business Planning;
- Cash Flow Forecasting;
- Trust and Estate Planning;
- Financial Reporting;
- Investment Consulting
- Insurance Planning;
- Retirement Planning;
- Risk Management;
- Charitable Giving;
- Distribution Planning;
- Tax Planning; and
- Manager Due Diligence.

In performing these services, Brightwater 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. Brightwater recommends certain clients engage the Firm for additional related service 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 Brightwater 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 Brightwater. 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 Brightwater's recommendations and/or services.

## **Side-By-Side Management**

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Brightwater 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

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Brightwater's primary method of analysis is fundamental in nature. Fundamental analysis involves assessing valuation metrics, the economic and political conditions that affect the overall trends of the markets. Brightwater analyzes macroeconomic and political factors that it believes may influence market trends—such as whether the economy is expanding or contracting, inflation levels and trends, changes in tax policy, and Fed monetary policy decisions.

Brightwater utilizes technical analysis on a more limited basis, technical analysis involves assessing trends, such as like the analysis of whether the stock market is trending up or down. This assessment along with client investment objectives and time horizons can influence the decision to make tactical changes to asset allocation in client portfolios. Brightwater's analysis of whether interest rates are trending up or down is also used in making tactical changes in asset allocation, as well as average bond market maturities and duration in client portfolios.

## Investment Strategies

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Brightwater's wealth management process is based on our core philosophy of finding value opportunities, both relative and absolute, under all market conditions, while still embracing the simplest and basic concept of risk reduction – diversification.

Each portfolio is invested based on the client's individual needs, as determined by Brightwater through initial and ongoing consultations to gain an understanding of the client's objectives for growth and income, risk sensitivity, level of knowledge, understanding and investment experience.

Brightwater has developed model portfolios for each of its investment strategies that blend various asset classes and sleeves (i.e., buckets or silos) of asset classes together for general risk profiles. Some sleeves use index funds to achieve broad exposure to an asset class, while other sleeves have an active security selection and management component to them. Our process for constructing our model portfolios is a combination of:

- Top-down asset allocation that is influenced and guided by outside research providers;
- Bottom-up security or fund selection that is based on quantitatively driven value metrics; and
- Risk management overlay on the targeted portfolio allocation, which is based upon current and expected market conditions and which is designed to allow for a minor portion of the portfolio to directly affect the overall expected volatility of the portfolio by investing in equity ETFs to increase the expected volatility or using short-term bonds or cash to somewhat reduce the expected volatility.

Top-down investing involves analyzing the “big picture” to determine the health of the economy and to forecast which industries will generate the best returns. The top-down allocation weightings are directly influenced by research providers such as Ned Davis Research ([www.ndr.com](http://www.ndr.com)), among others, the focus of which is a balanced measure of fundamental, quantitative and technical factors around asset classes against a strategic benchmark. Our bottom-up selection of individual stocks is primarily driven by quantitative value metrics using fundamental data provided by Morningstar.

Both traditional technical analysis of chart patterns and quantitatively derived trend assessment are used when attempting to optimize a buy or a sell, as well as the size of the total position within the model. Our investment models may be used in varying combinations over time for a given client, depending upon the client’s individual circumstances.

Utilizing various investment types (e.g., common stocks, individual bonds, mutual funds, ETFs, etc.), Brightwater may invest in the following asset classes, without limitation:

- Bonds, which includes sub categories such as treasuries, municipals, corporates, mortgage-backed securities, high yield, bank notes and international bonds;
- Equities, which includes sub categories such as large, mid and small capital US stocks, international stocks and emerging markets stocks;
- Preferred Stocks;
- Real Estate Investment Trusts;
- Master Limited Partnerships;
- Commodities;
- Alternatives; and
- Cash.

Brightwater strives to maintain the client’s target allocation within a range of 15% above the target for equities (up to 100%) and 25% below the target weighting for equities. In some market environments, Brightwater may decide to temporarily hold much less than 25% below the target in equities in client accounts, if Brightwater’s assessment warrants a need to reduce risk and focus on preservation of capital.

Brightwater primarily engages in long-term investing. This means securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. However, in certain instances, short-term purchases of securities may be made with the expectation of selling them within a relatively short period of time, generally less than one year, to take advantage of the securities’ short term price fluctuations.

Notwithstanding the foregoing, Brightwater may manage the portfolios of certain legacy clients of Tampa Asset Management, LLC using investment strategies other than those described herein. Brightwater

anticipates that, over time, it shall gradually begin managing such client's portfolios using the investment strategies described herein, in accordance with each client's individual needs.

## **Risk of Loss**

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While Brightwater seeks to diversify clients' investment portfolios across various asset classes consistent with their IPS's in an effort to reduce risk of loss, all investment portfolios are subject to risks which clients should be prepared to bear. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money. Below is a description of several of the principal risks that client investment portfolios face.

### *Management Risks*

While Brightwater manages client investment portfolios based on Brightwater's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Brightwater allocates client assets to individual securities and/or asset classes that are adversely affected by unanticipated market movements, and the risk that Brightwater's specific investment choices could underperform their relevant indexes.

### *Risks of Investments in Mutual Funds, ETFs and Other Investment Pools*

As described above, Brightwater may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

### *Equity Market Risks*

Brightwater will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

## *Fixed Income Risks*

Brightwater may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

## *Foreign Securities Risks*

Brightwater may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

## **Voting of Client Securities**

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Brightwater accepts the authority to vote a client's securities (i.e., proxies) on their behalf. When Brightwater accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in Brightwater's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Brightwater's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Brightwater to request information about how Brightwater voted proxies for that client's securities or to get a copy of Brightwater's Proxy Voting Policies and Procedures. A brief summary of Brightwater's Proxy Voting Policies and Procedures is as follows:

- Brightwater has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.

- The Proxy Voting Committee will generally vote proxies according to Brightwater's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Brightwater devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Brightwater's vote on a particular solicitation but can revoke Brightwater's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Brightwater maintains with persons having an interest in the outcome of certain votes, Brightwater takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

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

In this Item, Brightwater is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. Brightwater acts as the sole portfolio manager under the Program and, as such, the Firm has no information to disclose in relation to this Item.

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

In this Item, Brightwater 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 Brightwater, which acts as the sole portfolio manager under the Program.

## Item 9. Additional Information

### Disciplinary Information

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Brightwater 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.

#### *Morningstar Advisory Board*

David C. Maddux, Principal of the Firm, serves on an advisory board of Morningstar, Inc., ("Morningstar"), a provider of investment research and investment management services. In this capacity, he participates in occasional in-person and telephonic meetings to advise Morningstar on the development of products and services it offers to investment professionals. As part of this arrangement, David C. Maddux receives a stipend for travel expenses incurred for in-person meetings, as well as registration for the annual Morningstar Investment Conference. As a result, a conflict of interest exists to the extent Brightwater recommends the products and services of Morningstar to its clients and to the extent that Brightwater utilizes the products and services of Morningstar in its management of client accounts. The Firm seeks to ensure all recommendations are made in its clients' best interest regardless of any such affiliations. In addition, the Firm reviews all vendor relationships on an ongoing basis in an effort to ensure it is receiving competitive rates in relation to the quality and scope of the services provided.

### Code of Ethics

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Brightwater 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. Brightwater'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 Brightwater'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 mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

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

## **Account Reviews**

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Brightwater monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the investment adviser representatives of Brightwater, David C. Maddux and Robert B. Garey. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Brightwater 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 quarterly 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 Brightwater 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 Brightwater 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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Brightwater may receive from Schwab, without cost to Brightwater, computer software and related systems support, which allow Brightwater to better monitor client accounts maintained at Schwab. Brightwater may receive the software and related support without cost because Brightwater renders investment management services to clients that maintain assets at Schwab. The software and related systems support may benefit Brightwater, but not its clients directly. In fulfilling its duties to its clients, Brightwater endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Brightwater's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Brightwater's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million 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.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

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 Brightwater 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 Brightwater 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 Brightwater 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, Brightwater 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.

### **Financial Information**

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Brightwater 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.