

**FIRM BROCHURE**  
Part 2A of Form ADV

March 10, 2020



**Barnes Wealth Management Group**

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Barnes Wealth Management Group. If you have any questions about the contents of this Brochure, please contact us at (661) 322-9799 and/or [www.barneswealth.com](http://www.barneswealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Barnes Wealth Management Group is registered as an investment adviser with the Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Barnes Wealth Management Group is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 1: COVER PAGE**

Please refer to previous page.

## **ITEM 2: MATERIAL CHANGES**

Barnes Wealth Management Group (“BWMG”) has updated our ADV Part 2A Disclosure Brochure dated March 10, 2020. This is BWMG’s required annual amendment. There are no material changes to this brochure.

Barnes Wealth Management Group (“BWMG”) encourages each client to read this Brochure carefully and to call us with any questions you can or will have. Our previous Brochure is dated January 6, 2020.

Pursuant to SEC, BWMG will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of BWMG’s fiscal year end, along with a copy of this Brochure or an offer to provide the Brochure. BWMG’s Brochure is available upon request and can be requested by contacting Michelle Gomez at (661) 322-9799 or by email at [mgomez@barneswealth.com](mailto:mgomez@barneswealth.com). Additionally, as BWMG experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover.

Addition information about Barnes Wealth Management and its investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 4: ADVISORY BUSINESS

### **Description of Firm**

Barnes Wealth Management Group (“BWMG” or the “Firm”) is a Bakersfield, California based investment advisory firm, founded in 1986. BWMG was previously registered under the name Barnes & Associates Financial Planning, Inc. dba Barnes & Associates as a financial planning firm only, in 2004. BWMG is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser and is organized under the laws of the State of California as a corporation under the legal name Barnes Wealth Management Group, Inc., and doing business under the names Barnes Wealth Management Group and Ironwood Retirement Plan Consultants. BWMG offers customized investment management, financial planning and pension consulting services to individuals, trusts, estates, 401(k) plans, and high net worth individuals. Some of the investment instruments BWMG advises its clientele on include, among other things, mutual funds, exchange traded funds (“ETFs”), stocks, bonds, treasuries, REITS (real estate investment trusts), and when appropriate, private funds. BWMG can occasionally hold complimentary informational seminars, for its clients and prospective clients, geared towards retirement and investment needs.

### **Principal Owners**

BWMG is 100% owned by Steven A. Barnes, who serves as the Firm’s President.

### **Types of Advisory Services Offered**

BWMG offers clients investment management services, financial planning and pension consulting services which are fully described below. A client can engage BWMG for financial consulting services, pension consulting and/or investment advisory services.

#### **1. Investment Advisory Services**

BWMG provides discretionary and non-discretionary portfolio management on a continuous basis. The investment advice provided is variable depending upon the desires, investment objectives, and other preferences of the client and in accordance with a written Investment Advisory Agreement entered into between BWMG and the client. BWMG offers comprehensive investment advisory services, which encompasses portfolio management as well as providing financial consulting/financial planning to clients, and is designed to assist clients in meeting their financial goals through the use of financial investments. BWMG will conduct one or more meetings (in person if possible, otherwise via telephone conference) with the client in order to understand the client’s current financial situation, existing resources, financial goals, and tolerance for risk. Based on this information BWMG will recommend an investment approach to the client. Upon written execution of the Investment Advisory Agreement, BWMG will work with the client to establish or transfer investment accounts so that the Firm is able to manage the client’s portfolio. BWMG can periodically rebalance or adjust client accounts under its management.

Investment advisory recommendations are based on the client's financial situation at the time the services are provided and are based on financial information disclosed by the client. If the client experiences any significant changes to their financial or personal circumstances, it is the client's responsibility to timely notify the Firm so that such information can be used in managing the client's portfolio. In addition, BWMG does not assume any responsibility for the accuracy of the information provided by clients. Clients are advised that certain assumptions can be made with respect to interest and inflation rates and past trends and performance of the market and economy. Past performance is in no way an indication of future performance.

## **2. Third Party Manager Services**

Through an agreement with Carson Wealth Partners ("Carson"), BWMG will, from time to time, provide third-party investment management services to Carson clients. Carson is an SEC Registered Investment Adviser and unaffiliated with BWMB. In these circumstances, BWMG will enter into third party management agreements with client and Carson who in these circumstances, wish to engage BWMG to manage the holdings in their client's portfolios. In these arrangements, usually both BWMG and the Carson will be granted dual trading authority. Typically, Carson will monitor the investment activity conducted on behalf of the account by the Firm. All agreed upon terms shall be provided in the Third Party Management Agreement between BWMG and Carson.

## **3. Financial Planning and Pension Consulting Services**

BWMG provides personal financial plans consistent with a client's financial status investment objectives, risk tolerance and tax status. The financial plan can include information regarding retirement planning, education planning, planning for major purchases, estate planning issues and life, long-term care and disability insurance needs.

There is a potential conflict of interest because there is an incentive for the BWMG adviser offering the financial planning services to recommend products or services for which BWMG or the associated person to receive compensation. However, financial planning clients are under no obligation to act upon any recommendations of BWMG or to execute any transactions through BWMG or an associated person if they decide to follow the recommendations.

## **Participation in Wrap Fee Programs**

BWMG sponsors a wrap fee program. BWMG selects the investments that are offered in the Wrap Program. BWMG also determines the allocations and sector weights utilized in the Wrap Program. The appropriate allocation and underlying investments are determined through a consultation with the client. Clients can place reasonable restrictions, or make reasonable modifications to existing restrictions, regarding the management of their Wrap Program account.

## **Investment Advisory Agreements**

Prior to engaging BWMG to provide investment advisory services, each client is required to enter into a written Investment Advisory Agreement with the Firm, which will describe the management fees to be charged and the terms and conditions under which BWMG will render its

services. BWMG will provide a Brochure and one or more Brochure Supplements to each client or prospective client prior to or at the same time a client executes BWMG's Investment Advisory

**Third Party Management Services**

Third Party Management Agreements are evidenced in writing between Carson, BWMG, and the client. BWMG provides such services for a fee, which is based upon a percentage of the assets placed under BWMG's management. Fees are based on the amount of assets to be managed as per a tiered billing fee schedule with fees ranging from .80% to 1.80

Dependent upon the agreement between the parties, BWMG will either bill the client account directly or submit an aggregate billing to Carson. Whether or not such fees are billed in advance or arrears, as well as whether they are based on the value of the client's account on the last business day of the previous calendar quarter as opposed to an average daily balance of the account over the course of a billing period, will also depend upon the agreement between the parties. Such billing practices will be disclosed to the client in writing prior to the BWMG assessing fees. The fee is typically aggregated at the third part manager level and as a result, Carson may have an incentive to refer business to BWMG in order to reduce the fees charged by the Firm.

BWMG will continue to provide services until terminated by the client or BWMG in accordance with the provisions outlined within the agreement.

Neither BWMG nor the client can assign the Investment Advisory Agreement without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of BWMG shall not be considered an assignment.

**Amount of Client Assets Managed**

As of December 31, 2019, the following represents the amount of client assets under management by BWMG:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$120,848,517.00
Non-Discretionary	\$0.00
Total:	<b>\$120,848,517.00</b>

In addition to the assets listed above, BWMG provides services to ERISA clients in excess of \$80,000,000.00 as of December 31, 2019. These assets are not included in the total above as the firm is not deemed to provide continuous and regular supervisory or management services to these accounts.

## ITEM 5: FEES AND COMPENSATION

BWMG charges fees based on a percentage of assets under management. The fee charged by BWMG for its advisory services will be set forth in each client's written agreement with BWMG. Although BWMG believes its advisory fees are competitive, clients should be aware that lower fees for comparable services can be available from other sources.

### Asset Management Fees

BWMG generally charges a quarterly asset management fee based on the account's assets under management (AUM) as of the close of business on the last business day of the preceding calendar quarter. Asset management fees are calculated and paid quarterly in advance based on the following annual percentages:

Assets Under Management	Annual Advisory Fee
0 to \$249,999	1.30%
\$250,000 to \$499,999	1.20%
\$500,00 to \$999,999	1.10%
\$1,000,000 to \$2,999,999	1.00%
\$3,000,000 to \$4,999,999	0.90%
\$5,000,000 and above	0.80%

Lower fees for comparable services can be available from other sources. These fees can be negotiated by BWMG under certain circumstances, and at the sole discretion of BWMG.

Should a client open an account during the quarter, management fees will be prorated for assets held for a partial quarter based on the number of days that the account was open during the quarter. In the event that BWMG's services are terminated mid-quarter, the annual fee shall be prorated through the date of termination as defined in the Agreement and any earned, unpaid balance will be immediately due and payable by client, and any pre-paid unearned fees will be promptly refunded to the client.

Detailed advisory and expense fee information about the Wrap Program is available in the wrap fee program brochure. The wrap fee program brochure is provided with this brochure and is prepared specifically for prospective and current participants in the wrap fee program.

### Financial Planning and Pension Consulting Fees

BWMG charges clients an hourly or fixed fee for financial planning services. Clients are typically billed \$270 an hour for financial planning and \$135 for planning support activities. Fixed fees generally range from \$3,500 to \$7,000. Hourly and fixed fees are negotiable based on the circumstance of the client and range and complexity of the services BWMG will provided. Hourly and fixed fees are due and payable upon completion of the financial plan.

If clients elect to implement recommendations made in a financial plan, their accounts can incur transaction costs, retirement plan administration fees, and other mutual fund annual expenses that are charged by broker-dealers, plan administrators or mutual fund companies that sell securities

or provide additional services to BWMG clients. These fees are in addition to and separate from planning and consulting fees. Clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party can terminate the agreement prior to delivery of the plan or completion of the services with written notice. Since fees are payable only after services are provided, there are no unearned fees and the client will not have a refund due upon early termination of the Financial Planning/Pension Consulting agreement.

***Other Fees and Expenses***

Clients should understand that the different fees discussed above are specific to what BWMG charges and do not include certain charges imposed by third parties such as custodial fees and mutual fund fees and expenses. Client assets also can or will be subject to transaction fees, brokerage fees and commissions, retirement plan administration fees (if applicable), mutual fund deferred sales charges and 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For investment in mutual funds and exchange trade fund ("ETFs"), Clients can be charged internal management fees, distribution fee and other expenses, which are described in each funds' prospectus.

Clients should understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a Client's account are generally paid out of the assets in the account and are in addition to the investment management fees charged by us. Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower fees for comparable services can be available from other investment advisory firms.

**Important Considerations**

**Compensation for Sales of Securities or Other Investment Products**

Certain investment adviser representatives of BWMG, in their individual capacities, are also Registered Representatives of Purshe Kaplan Sterling Investments ("PKS"), a securities broker-dealer registered with the SEC, member of SIPC and the Financial Industry Regulatory Authority ("FINRA"). In this capacity, these individuals can transact in various types of securities or investment products and can receive separate and typical compensation for doing so.

While BWMG does not sell securities or other investment products to its advisory clients, clients can implement securities transactions through certain of BWMG's investment adviser representatives, in their respective individual capacities as Registered Representatives of PKS. These individuals can receive commissions or fees for the sale of securities purchased for a client's advisory account. In addition, certain BWMG representatives (as applicable), can also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

**Conflicts of Interest**

Clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and can affect the judgment of these individuals when making recommendations. BWMG and PKS are separate, nonaffiliated entities. Nevertheless, to the



extent that a BWMG investment adviser representative recommends the purchase of securities or other investment products where the representative receives commissions for doing so, a conflict of interest exists because the representative can have an incentive to make recommendations based on the compensation received rather than on a client's needs.

BWMG has also adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of BWMG's fiduciary duty to clients, BWMG and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement. Clients are not obligated to implement recommended transactions through any BWMG representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than PKS on their own. Lower fees for providing comparable services can be available from other sources.

The Firm does not have physical custody of any client funds or securities, and a qualified and independent custodian will be used to hold client assets.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

BWMG does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains on or capital appreciation of the client's assets or any portion of the client's assets). Consequently, BWMG does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management).

## **ITEM 7: TYPES OF CLIENTS**

BWMG provides independent, objective advice regarding investments for individuals and high net-worth individuals. There is a no minimum required to open and maintain an investment advisory account.

If a Client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), BWMG can be a fiduciary to the plan. In providing our investment management services, the sole standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. BWMG will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and/or in separate ERISA disclosure documents, and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by BWMG; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis and Investment Strategies***

Generally, BWMG uses a variety of analytical information to assist with its security analysis. Such information can include fundamental and technical analysis. The primary sources of information used by BWMG include market news reports, financial publications, outside research reports, prospectuses, and interpretation of exchange market data.

The investment strategies BWMG can pursue on behalf of clients can include long- and short-term purchases, trading, option writing including covered options, uncovered options or spreading strategies. BWMG can recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. BWMG can recommend specific investments to increase sector weighting and/or dividend potential, or can recommend employing cash positions as a possible hedge against market movement which can adversely affect a client's portfolio. Additionally, BWMG can recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in a client's portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client's risk tolerance.

### ***Risk of Loss***

Investing in securities involves a significant risk of loss. BWMG's investment recommendations are subject to various markets, currency, economic, political and business risks, and such investment decisions can or will not always be profitable. Clients should be aware that there can be a loss or depreciation to the value of the client's account, which clients should be prepared to bear. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk and consequently, the value of the client's account can at anytime be worth more or less than the amount invested.

Generally, the market value of stocks will fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. The market value of bonds will generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value at maturity. Interest rates for bonds can be fixed at the time of issuance, and payment of principal and interest can be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have longer maturities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it can be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. Small-cap stocks can be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small-cap market can adversely affect the value of these investments. In addition, there is

no assurance that a mutual fund, ETF or private funds will achieve its investment objective. Past performance of investments is no guarantee of future results.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as BWMG are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of BWMG or the integrity of its management. BWMG does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain investment adviser representatives of BWMG are registered representative of, and offer securities and related business through, Purshe Kaplan Sterling Investments ("PKS"), a registered Broker/Dealer and member of FINRA and SIPC. These investment adviser representatives can receive separate and typical commissions or fees for doing business with these firms. BWMG is neither owned nor controlled by Purshe Kaplan Sterling Investments, Inc. The Firm can recommend securities clearing and trade execution firms or entities to Clients, including custodial firms or entities. The Clients are under no obligation to use the firms or entities proposed by the Firm. Nevertheless, a conflict of interest exists to the extent that BWMG recommends the purchase of securities where a BWMG representative receives commissions or other compensation for doing so. BWMG has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part BWMG's fiduciary duty to clients BWMG and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement. Clients are not obligated to implement recommended transactions through any BWMG representative or any particular broker-dealer. Clients have the option to purchase any recommended investment products or services through brokers or agents other than PKS. BWMG charges a quarterly advisory fee based on assets under management and such advisory fee is in addition to commissions, if any, received by BWMG representatives on sales of securities or investment products.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

BWMG has adopted a Code of Ethics ("Code"). The Code establishes standards of conduct for BWMG's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It contains written policies reasonably designed to prevent the unlawful use of material non-public information by BWMG or any of its associated persons.

Because BWMG's personnel (called "Access Persons") can transact in the same securities for their personal accounts as they can buy or sell for client accounts, it is important to mitigate

potential conflicts of interest. To that end, BWMG has adopted personal securities transaction policies in the Code which all BWMG associated persons must follow. The Code requires that certain of BWMG's personnel report their personal securities holdings and transactions and obtain pre-approval of certain investments, including initial public offerings and limited offerings. The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("CCO"). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that they have complied with the Code during that year. BWMG will provide a copy of its Code of Ethics to any client or prospective client upon request.

### ***Participation or Interest in Client Transactions***

Because the Code would permit associated persons of BWMG to invest in the same securities as clients, there is a possibility that the associated person could benefit from market activity by a client in a security held by that person. Employee trading is continually monitored under the Code, with an eye to reasonably prevent conflicts of interest between BWMG and its clients.

Based upon a client's stated objectives, BWMG can, under certain circumstances, recommend the purchase or sale of securities in which BWMG or its affiliates have also invested in personally. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, as part of BWMG's fiduciary duty to clients, BWMG and its associated persons will endeavor at all times to put the interests of the clients first and at all times are required to adhere to the Firm's Code of Ethics.

It is BWMG's policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

## **ITEM 12: BROKERAGE PRACTICES**

BWMG does not maintain custody of your assets that we manage. Nevertheless, we can be deemed to have custody of client assets because you give us authority to withdraw assets from your account (*see Item 15 Custody, below*). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. BWMG recommends that our clients use Charles Schwab & Co., Inc. ("Schwab"), or TD Ameritrade, FINRA-registered broker-dealers, and members of SIPC, as the qualified custodians. BWMG is independently owned and operated and not affiliated with Schwab or TD Ameritrade. Schwab and TD Ameritrade will hold our clients' assets in a brokerage account and buy and sell securities when BWMG instructs them to. While BWMG recommends that you use Schwab or TD Ameritrade as custodian/broker, clients will decide whether to do so when they open an account with the custodian by entering into an account agreement directly with them. BWMG does not open the custodial account for you.

## How We Select Custodians/Brokers

BWMG seek to select and recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. BWMG considers a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.);
- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- the custodian/broker's prior service to us and our other clients; and
- availability of other products and services that benefit us, as discussed below (*see "Products and Services Available to Us from our Custodians"*).

## Custody and Brokerage Costs

Schwab and TD Ameritrade generally do not charge BWMG client accounts separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Custodial account. For some accounts, Schwab or TD Ameritrade can charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab and TD Ameritrade's commission rates and asset-based fees applicable to BWMG client accounts were negotiated based on our commitment to maintain BWMG client assets in accounts at these Custodians. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be if BWMG had not made the commitment. In addition to commissions, or asset-based fees Schwab and TD Ameritrade charge a flat dollar amount as a "trade away" fee for each trade that BWMG executes by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab or TD Ameritrade account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize trading costs, BWMG exclusively uses Schwab or TD Ameritrade to execute trades for your account.

## Products and Services Available to Us from Schwab and TD Ameritrade

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business that specializes in serving independent investment advisory firms like BWMG. TD Ameritrade provides these services under the name TD Ameritrade Institutional. Schwab and TD Ameritrade provide us and our clients with access to their institutional brokerage services (trading, custody,

reporting and related services), many of which are not typically available to retail customers of either brokerage firm. Schwab and TD Ameritrade also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab and TD Ameritrade's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The following is a more detailed description of these support services:

**Services that benefit our clients.** Schwab and TD Ameritrade's institutional brokerage services include access to a broad range of investment products, execution of securities transactions and custody of client assets. The investment products available through Schwab and TD Ameritrade include some to which we might not otherwise have access or that would require a significantly higher minimum- initial investment by our clients. The Schwab and TD Ameritrade services described in this paragraph generally benefit clients and their accounts.

**Services that do not directly benefit our clients.** Schwab and TD Ameritrade also offer other products and services that benefit BWMG, but do not directly benefit clients or their accounts. These products and services assist us in managing and administering our clients' accounts; they include investment research, both Schwab and TD Ameritrade's own and that of third parties. We could use this research to service all or many of our clients' accounts, including accounts not maintained at Schwab or TD Ameritrade. In addition to investment research, Schwab and TD Ameritrade also offer software and other technology that provide us with access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution; provide pricing and other market data; facilitate payment of our fees from our clients' accounts; and assist with back-office functions, recordkeeping and client reporting.

**Services from Schwab that generally only benefit BWMG.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and networking events;
- Consulting on technology, compliance, legal and business needs;
- Publications and conferences on practice management and business succession;
- Access to various consultants and other service providers; and
- Marketing consulting and support.

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Sometimes Schwab also discounts or waive its fees for some of these services or pays all or a portion of a third party's fees. From time to time, Schwab provides us with other benefits such as occasional business entertainment of our personnel. Currently, we do not use any such services offered by TD Ameritrade, although some of them are available to us upon request.

### **Our Interest in Schwab and TD Ameritrade's Services**

The availability of these services from Schwab or TD Ameritrade, as applicable, benefits us because we do not have to produce or purchase them; we are not required to pay for Schwab or TD Ameritrade's services. These services are not contingent upon us committing any specific amount of business to Schwab or TD Ameritrade in trading commissions or assets in custody; however, when determining what services to offer to us, both Schwab and TD Ameritrade take into consideration the amount of client assets that we custody with them and trading volumes. We have an incentive to recommend that you maintain your account with Schwab or TD

Ameritrade, based on our interest in receiving their services that benefit our business, rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab or TD Ameritrade, as a custodian and broker, is in the best interests of our clients. Our selection is primarily supported by the scope, quality and price of Schwab and TD Ameritrade's services (see "How We Select Brokers and Custodians") — not just services that only benefit us.

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

BWMG does not receive soft dollars generated by the securities transactions of its clients. The term "soft dollars" refers to funds which are generated by client trades being used by the Firm to purchase products or services, such as research from or through broker-dealers whom BWMG engages to execute securities transactions.

### ***Selection Criteria***

BWMG generally places all transactions through Schwab or TD Ameritrade. BWMG periodically evaluates the commissions charged and the services provided by the custodian and compare those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians.

### ***Best Execution***

BWMG will generally seek "best execution" in light of the circumstances involved in transactions. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. BWMG will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. Consistent with the foregoing, while BWMG will seek competitive rates, it can or will not necessarily obtain the lowest possible commission rates for Client transactions. To ensure that brokerage firms selected by BWMG are conducting overall best qualitative execution, BWMG will periodically (and no less often than annually) evaluate the trading process and brokers utilized. This evaluation will include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

### ***Order Aggregation***

Transactions for each client generally will be effected independently, unless BWMG decides to purchase or sell the same securities for several clients at approximately the same time. BWMG can (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 BWMG's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders

been placed independently. The nature of the clients and/or trading activity on behalf of client accounts is such that trade aggregation does not garner any client benefit.

### ***Handling Trade Errors***

Errors created in a Client account must be corrected so as not to harm the client. The goal of error correction is to make the client whole, regardless of the cost to BWMG. The firm will not correct a trade error made in a client's account by allocating the trade to a different account, unless that account was meant to receive the trade in the first place.

### ***Agency Cross and Principal Transactions***

BWMG's associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades. BWMG affects securities transactions as principal, buy securities from or sells securities to clients, acts as general partner in a partnership in which BWMG solicits client investments, or acts as an investment adviser to an investment company that BWMG recommends to clients.

## **ITEM 13: REVIEW OF ACCOUNTS**

### ***Periodic Reviews***

While asset management accounts are monitored on an ongoing basis, BWMG's team undertakes reviews of client accounts not less than annually. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made.

### ***Other Reviews and Triggering Factors***

In addition to the periodic reviews described above, reviews can be triggered by changes in an account holder's personal, tax or financial status. Other events that can trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify BWMG and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### ***Regular Reports***

Written brokerage statements are generated no less than quarterly and are sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. In addition to the regular statements clients receive from their custodian, BWMG can on occasion send clients detailed reports concerning relevant account and/or market-related information as well as an inventory of



account holdings and account performance, as agreed to with the client. Clients are urged to compare the statements received from BWMG to those received from the account custodian.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

BWMG receives an economic benefit from Schwab and TD Ameritrade in the form of the support products and services it makes available to us and other independent investment advisers that have their clients maintain accounts at Schwab or TD Ameritrade. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to BWMG of Schwab and TD Ameritrade's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### ***Compensation for Client Referrals***

BWMG does not received compensation for client referrals. In the future, BWMG can enter into agreements with individuals and organizations, some of whom can be affiliated or unaffiliated with BWMG, that refer clients to BWMG. All such agreements will be in writing and comply with the requirements... If a client is introduced to BWMG by a solicitor, BWMG can pay that solicitor a fee in accordance state securities law requirements. While the specific terms of each agreement can differ, generally, the compensation will be based upon BWMG's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to BWMG by such clients. Any such fee shall be paid solely from BWMG's investment management fee, and shall not result in any additional charge to the client.

Each prospective client who is referred to BWMG under such an arrangement will receive a copy of BWMG's firm brochure and a separate written disclosure document disclosing the nature of the relationship between the third party solicitor and BWMG and the amount of compensation that will be paid by BWMG to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of BWMG's disclosure brochure and the solicitor's written disclosure statement.

## **ITEM 15: CUSTODY**

Pursuant to federal regulations, BWMG is deemed to have custody of your assets if you authorize us to instruct Schwab or TD Ameritrade to deduct our advisory fees directly from your account. Schwab or TD Ameritrade maintain actual custody of your assets. You will receive account statements directly from Schwab or TD Ameritrade at least quarterly. They will be sent to the email or postal mailing address you provided to the Custodian. You should carefully review those statements promptly when you receive them. BWMG also urges you to compare your Schwab account statements to the periodic portfolio reports you will receive from us.

Notably, in most cases a client's broker-dealer also can act as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets held at a broker-dealer versus at a bank or trust company. Some of these differences

include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

BWMG can only implement its investment management recommendations after the client has arranged for and furnished BWMG with all information and authorization regarding its accounts held at the designated qualified custodian.

## **ITEM 16: INVESTMENT DISCRETION**

### ***Discretionary Authority; Limitations***

Investment Management services are performed by BWMG on a discretionary basis, unless otherwise agreed upon at the inception of the client relationship and memorialized in the client's advisory agreement. In exercising its discretionary authority, BWMG has the ability to determine the type and amount of securities to be transacted and whether a client's purchase or sale should be combined (aggregated) with those of other clients and traded as a "block." Such discretion is to be exercised in a manner consistent with each client's stated investment objectives, risk tolerance, and time horizon. In addition, BWMG's authority to trade securities can be limited in certain circumstances by applicable legal and regulatory requirements. Clients are permitted to impose reasonable limitations on BWMG's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to BWMG in writing.

### ***Limited Power of Attorney***

Unless clients specifically request in writing that BWMG manage all or part of their account on a non-discretionary basis, by signing BWMG's advisory agreement, clients authorize BWMG to exercise full discretionary authority with respect to all investment transactions involving the client's account. Pursuant to such agreement, BWMG is designated as the client's attorney-in-fact with discretionary authority to effect investment transactions in the client's account which authorizes BWMG to give instructions to third parties in furtherance of such authority.

## **ITEM 17: VOTING CLIENT SECURITIES**

BWMG's policy and practice is to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the client retains the responsibility for receiving and voting all proxies for securities held within the client's account. BWMG shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

BWMG typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

**ITEM 18: FINANCIAL INFORMATION**

BWMG does not require or solicit prepayment of more than \$500.00 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. BWMG does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.