

AWM Financial Services Inc.

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Form ADV Part 2A Brochure

AWM Financial Services Inc. is an investment adviser licensed with the Texas State Securities Board and The California Department of Corporations. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of AWM Financial Services Inc. If you have any questions about the contents of this brochure, please contact us at (281) 444-7555. 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.

Additional information about AWM Financial Services Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes - Item 2

This item will discuss material changes that are made to the firm's Brochure since the firm's last annual update and provide clients with a summary of such changes:

The material changes in this brochure from the last annual updating amendment of AWM Financial Services Inc. on April 16, 2020 are described below. Material changes relate to AWM Financial Services Inc.'s policies, practices or conflicts of interests.

- Matthew Stevenson is the President of AWM Financial Services Inc. (Items 4, 13 & 19)
- AWM Financial Services Inc. has updated types of investments and associated risks (Item 8).

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Advisory Business - Item 4

AWM Financial Services Inc. (hereinafter "AWM") is a registered investment advisor based in The Woodlands, Texas. We are a corporation under the laws of the State of Texas. We have been providing investment advisory services since 2007. Matthew Stevenson is the President of AWM. D. Ryan Wheless is the Founder, CEO and principal owner of AWM.

Currently, we offer the following investment advisory services, personalized to each individual client:

- **Portfolio Management Services**
- **Selection of Third Party Investment Advisers**
- **General Consulting Services**
- **Pension Consulting Services**

The following paragraphs describe what we do and what we charge. Each investment advisory service is listed below and describes how we tailor our advisory services to your individual needs. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our Firm who is an officer, employee, and all individuals providing investment advice on behalf of our Firm. Such persons are properly registered as investment adviser representatives in all required jurisdictions.

Portfolio Management Services

Portfolio management refers to the management of money, including investments. Assets are usually held in what is called a portfolio. Determining the types and quantities of securities to hold in a portfolio is referred to as portfolio management.

Our Firm offers discretionary and non-discretionary portfolio management services to our clients and prospective clients. Discretionary portfolio management means we will make investment decisions and place buy or sell orders in your account without contacting you. These decisions would be made based upon your stated investment objectives. Non-discretionary portfolio management means we will contact you before a trading decision is taken and executed.

Our investment advice is tailored to meet our clients' needs and investment objectives. If you decide to hire our Firm to manage your portfolio, we will meet with you to gather your financial information, determine your goals, and decide how much risk you should take in your investments. The information we gather will help us implement an asset allocation strategy that will be specific to your goals, whether we are actively investing for you or simply providing you with advice.

There are a few ways we might create your investment portfolio depending on what we decide would work best for you. We may customize a portfolio for you based the goals and risk we determined during the information gathering process. Or, we might use a predetermined strategy rather than choosing individual securities. Alternatively, it may be that one of the model portfolios developed by our Firm would be the best fit for your needs.

Our Firm mainly uses equity securities, exchange traded funds, investment company products, private placements, corporate securities, municipal securities and U.S. government securities in its portfolio management programs.

However we construct your investment portfolio, we will monitor your portfolio's performance on an ongoing basis, and rebalance the portfolio whenever necessary, as changes occur in market conditions, your financial circumstances, or both.

As outlined above, we offer discretionary and non-discretionary portfolio management services. Discretionary portfolio management services means that once the portfolio has been agreed upon, the ongoing supervision and management of the portfolio will be our responsibility. You grant us this authority in a written agreement, a limited power of attorney agreement, or trading authorization form(s). This allows us to decide on the types and quantity of securities that we buy or sell for your account without obtaining your approval for each transaction. You may limit this authority by setting a limit on the type of securities that can be purchased for your account. Simply provide us with your restrictions or guidelines in writing.

Non-discretionary portfolio management service means, as outlined above, that we must obtain your approval prior to making any transactions in your account.

Selection of Third Party Investment Advisers

AWM has entered into agreements with various third party investment advisers for the provision of certain investment advisory services. Factors considered in the selection of a third party advisor include but may not be limited to: i) AWM's preference for a particular third party advisor; ii) the client's risk tolerance, goals and objectives, as well as investment experience; and, iii) the amount of client assets available for investment. In order to assist clients in the selection of a third party advisor, an Associated Person of AWM will typically gather information from the client about the client's financial situation, investment objectives, and reasonable restrictions the client wants imposed on the management of the account.

The third party advisor may customize the client's portfolio by blending traditional investment strategies with an allocation to asset classes. The investment strategy adopted by the third party advisor may embrace value, growth, or contrarian investing styles. Generally, securities transactions will be decided upon and executed by the third party advisor on a discretionary basis. This means that the manager selected will have the ability to buy and sell securities in your account without obtaining your approval. AWM and its Associated Persons will not manage, or obtain discretionary authority over the assets in accounts participating in these programs; however, clients may grant AWM the discretionary authority to hire and fire such third party managers. Generally, clients may not impose restrictions on investing in certain securities or types of securities in accounts managed by a third party advisor.

Associated Persons of AWM will periodically review reports provided to the client. An Associated Person of AWM will contact the client at least annually, or more often as agreed upon with each client, to review the client's financial situation and objectives, communicate information to the third party advisor managing the account as necessary, and to assist the client in understanding and evaluating the services provided by the third party advisor. Clients will be expected to notify AWM of any changes in their financial situation, investment objectives, or account restrictions.

The third party advisor may offer wrapped or non-wrapped pricing options. Wrap pricing structures allow the client to pay an all-inclusive fee for management, brokerage, clearance, custody, and administrative services. In a non-wrap pricing structure, the third party advisor's fee may be separated from the advisory fee charged by AWM. Transaction costs may also be charged for the execution and

clearance of advisory transactions directed by such Third Party Advisory Services. A complete description of the programs and services provided, the amount of total fees, the payment structure, termination provisions and other aspects of each program are detailed and disclosed in: i) the third party advisor's Form ADV Part 2A; ii) the program wrap brochure (if applicable) or other applicable disclosure documents; iii) the disclosure documents of the portfolio manager(s) selected; or, iv) the third party advisor's account opening documents. A copy of all relevant disclosure documents of the third party advisor and of the individual portfolio manager(s) will be provided to anyone interested in these programs/managers.

General Consulting Services

AWM provides hourly consulting services that focus on the specific needs and concerns of the client. Consulting services may include giving advice on investment and investment related matters. These services include the identification of financial goals and objectives, collection and assessments of all relevant data, identification of financial problems and formulation of solutions, and the preparation of a financial plan in the form of specific written or verbal recommendations. The services provided by AWM will typically focus on one or more of the following areas:

- **Retirement Planning:**

Retirement Planning is a process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets. Future cash flows are estimated to determine if the retirement income goal will be achieved.

- **Investment Planning:**

The goal of investment planning is to determine the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. The process realizes strengths, weaknesses, opportunities and risks in the choice of debt vs. equity, domestic vs. international, growth vs. safety, and many other tradeoffs encountered in the attempt to maximize return at a given risk.

All of our advice is based on your financial situation and the financial information you provide to our Firm. If your financial situation, goals, objectives, or needs change, you must notify us promptly.

We may also offer consultative services where we set an appointment to meet with you for financial planning advice for an hourly fee.

You may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may do so either through our investment advisory services or by using the advisory/brokerage firm of your choice.

Disclosures required by California Code of Regulations, 10 CCR Section 260.235.2: A conflict exists between the interests of the investment adviser and the interests of the client, the client is under no obligation to act upon the investment adviser's recommendation, and if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser.

Pension Consulting Services

AWM provides several pension consulting related services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, AWM will also offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension consulting services are comprised of four distinct services. Clients may choose to use any or all of these services:

Investment Policy Statement Preparation

AWM will meet with the client (in person or over the telephone) to determine the client's investment needs and goals. AWM will then prepare a written Investment Policy Statement ("IPS") stating those needs and goals and creating a policy to help achieve these goals. The IPS will also list the criteria for selection of investment vehicles and the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles

AWM will review various investments, consisting of one or all of the following: individual equities, bonds, other investment products, and mutual funds (both index and managed) to determine which of these investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the Investment Policy Statement.

Monitoring of Investment Performance

Client investments will be monitored continuously based on the procedures and timing intervals outlined in the Investment Policy Statement. Although AWM will not be involved in any way in the purchase or sale of these investments, AWM will supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

Employee Communications

For pension, profit sharing and 401(k) plans where the individual account participant exercises control over assets in his/her own account (hereinafter "self-directed plans"), AWM also provides educational support and investment workshops designed for the Plan participants. The nature of the topics to be covered will be determined by AWM and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide Plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

Other pension consulting services are available on request. All of our pension consulting services, whether general or customized, will be outlined in an agreement that shows the services that will be provided and the fees that will be charged for those services.

Assets Under Management

As of December 31, 2020, we manage \$121,081,714 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis.

Fees and Compensation - Item 5

AWM charges a percentage of assets under management, hourly charges, or other fees for its advisory services.

Portfolio Management Services

If you decide to engage AWM for portfolio management services, we will charge an annual fee based upon a percentage of the market value of the assets being managed. Our fee for portfolio/asset management services is set forth in the following fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 to \$100,000	2.00%
\$100,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.25%
Over \$1,000,000	Negotiable

AWM allows related accounts to be combined for fee paying purposes. We combine the account valuations to assist you in meeting fee breakpoints and therefore lowering the overall fee level. AWM extends this option to all accounts residing in the same household and certain members of the same family.

In addition, AWM imposes an annual administrative and technology fee of \$50 on accounts with balances lower than \$100,000. This fee is debited at the end of the December billing cycle. New accounts with a balance less than \$100,000 opened after the December billing cycle will be charged a prorated fee upon account opening. This fee is applicable to non discretionary, non managed accommodation accounts regardless of the account's value. This fee can be waived at the discretion of the AWM.

Fees will be deducted from your account. Fees are billed monthly, in arrears, based on the average daily market value of the client's account during the preceding month, as reported by the client's account custodian. We usually deduct advisory fees from a designated account to facilitate billing. The client must consent in advance to direct debiting of their account.

If you choose to have AWM's fee deducted directly from your account, you must provide authorization. The qualified custodian holding your funds and securities will send you an account statement at least quarterly. This statement will detail account activity. Please review each statement for accuracy. AWM will also receive a copy of your account statements from the custodian.

Our annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses, which will be incurred by the client. Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs.

At the inception of investment management services, the first quarter's fees will be calculated on a pro-rata basis. The agreement between AWM and the client will continue to be in effect until either party terminates the agreement in accordance with the terms of the agreement. AWM's annual fee will be pro-rated through the date of termination and any remaining balance shall be charged to the client.

Third Party Adviser (TPAs) Fees

AWM will perform management searches of various independent registered investment advisers for referral to AWM clients. AWM will share in the fee paid to the TPA. The management fee is disclosed in the TPA's disclosure documents. These fees may or may not be negotiable. AWM's compensation may differ depending upon the firm's individual agreement with each TPA. AWM or its Associated Persons may have an incentive to recommend one TPA over another TPA with whom it has less favorable compensation arrangements or other advisory programs offered by TPAs with which it has no compensation arrangements. In order to address this conflict, the firm has adopted a code of ethics that obliges all associated persons to deal fairly with all clients when taking investment action and to uphold their fiduciary duty and to put the client's interest first. Clients are not required to use the services of any TPA we recommend.

General Consulting Services Fees

AWM may provide its clients with consulting services. If the client decides to engage us for consulting services, we will charge an hourly fee of \$300. The fee is negotiable depending on the nature, complexity, and time involved in providing the client with the requested services.

If the client engages AWM for additional investment advisory services, AWM may offset all or a portion of its fees for those services based upon the amount paid for the consulting services. In our discretion, we may also waive or offset a portion of the financial planning fee by commissions earned by Associated Persons for the sale of insurance products, in their separate capacities as insurance agents.

Prior to engaging AWM to provide consulting services, the client will generally be required to enter into a written agreement with us. The agreement will set forth the terms and conditions of the engagement and describe the scope of the services to be provided and the portion of the fee that is due from the client. Generally, AWM requires full payment upon the completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates AWM's consulting services, the fee will be pro-rated through the date of termination, and any remaining balance will be charged to the client.

Pension Consulting Services Fees

The compensation arrangement for these services will be based on hourly fees or fees based on a percentage of assets under management. Pension consulting services will be negotiated on a case-by-case basis and the exact fee paid by the client will be clearly stated in the agreement signed by the client and the Firm.

If you choose to have AWM's fee deducted directly from your account, you must provide authorization. The qualified custodian holding your funds and securities will send you an account statement quarterly. This statement will detail account activity. Please review each statement for accuracy. AWM will also receive a copy of your account statements from the custodian.

Additional Fees and Expenses

The fees AWM charges may be negotiable based on the amount of assets under management, complexity of client goals and objectives, and level of services rendered. Fees are charged as described above and are not based on a share of capital gains of the funds of an advisory client.

All fees paid to AWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of AWM. In that case, the client would not receive the services provided by AWM, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by AWM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Advisory recommendations are based on your financial information and situation disclosed to us at the time the services are provided. You are advised that certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. As your financial situation, goals, objectives, or needs change, you must notify us promptly.

All conflicts of interest between you and our Firm, and the Associated Persons of our Firm, are outlined in this Disclosure Brochure. If additional conflicts arise in the future, we will notify you in writing or supply you with an updated Disclosure Brochure.

All material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives, or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

While the firm endeavors at all times to offer clients its specialized services at reasonable costs, the fees charged by other advisers for comparable services may be lower than the fees charged by AWM (CCR Section 260.238(j)).

Performance-Based Fees and Side-By-Side Management - Item 6

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

Types of Clients - Item 7

We offer investment advisory services to individuals, pension and profit sharing plan participants, trusts, estates, charitable organizations, corporations, and other business entities.

AWM requires a minimum of \$100,000 to open and maintain an advisory account. At our sole discretion, we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

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

The following are different methods of analysis that we may use when providing you with investment advice:

- **Fundamental Analysis** – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.
- **Technical Analysis** – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.

We may use one or more of the following investment strategies when advising you on investments:

- **Long Term Purchases** – securities held for over a year.
- **Short Term Purchases** – securities held for less than a year.
- **Private Placements**

The investment advice provided along with the strategies suggested by AWM will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Investing in securities involves risk of loss that clients should be prepared to bear. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed would be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

General Investment Risk: All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments in which you intend to invest.

Loss of Value: There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political, and economic developments, and government, economic or monetary policies.

Interest Rate Risk: Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer-term debt securities are usually more sensitive to interest rate changes.

Credit Risk: Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial

condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

Private Placements carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

Disciplinary Information - Item 9

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of material legal or disciplinary events by our Firm or our management persons.

Other Financial Industry Activities and Affiliations - Item 10

D. Ryan Wheless, Founder/CEO, is a majority owner of Allied Wealth Consulting Services, LLC, a tax and business consulting practice based in the State of Texas. The Firm expects that clients to whom it offers advisory services may also be clients of Allied Wealth Consulting, LLC.

D. Ryan Wheless, Founder/CEO, is a majority owner of AWM Insurance Services Inc., an insurance agency licensed in the State of Texas. Mr. Wheless is a licensed insurance agent for life, health, disability, long-term care, Medicare supplements, fixed annuities, etc., and can effect transactions in insurance products for clients and earn commissions for these activities. The Firm expects that clients to whom it offers advisory services may also be clients for whom Mr. Wheless acts as an insurance agent.

Clients are instructed that the fees paid to us for advisory services are separate and distinct from the commissions and fees earned by Mr. Wheless for consulting, insurance, and real estate transactions. Advisory Clients are informed that they are under no obligation to use Mr. Wheless' insurance and real estate services and may use the consulting firm, insurance or real estate brokerage Firm and agent of their choice.

Mr. Wheless devotes a significant portion of his professional time to his outside business activities.

Recommendation of Other Advisors

We may recommend that you use a third party advisor (TPA) as part of our asset allocation and investment strategy. AWM will share in the compensation received by the TPA for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of the third party advisor. In order to address this conflict, the firm has adopted a code of ethics that obliges all associated persons to deal fairly with all clients when taking investment action and to uphold their fiduciary duty and to put the client's interest first. At this time, AWM uses the following TPAs:

- Formula Folio Investments, LLC (CRD#153467)
- Global Private Financial Capital, LLC (CRD#132070)

- Foundations Investment Advisors LLC (CRD#175083)
- Cabana Asset Management (CRD#151418)

Clients are not required to use the services of any TPA we recommend.

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

Description of Our Code of Ethics

AWM has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes AWM's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of AWM's Code of Ethics is available upon request to the Chief Compliance Officer at AWM's principal office address.

Personal Trading Practices

At times, AWM and/or its Associated Persons may take positions in the same securities as clients, which may pose a conflict of interest with clients. AWM and its Associated Persons will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

Brokerage Practices - Item 12

We recommend and request our clients to implement trades and maintain custody of assets through independent, qualified broker-dealers. Currently we recommend Fidelity Brokerage Services, LLC, Schwab Institutional division of Charles Schwab & Co., Inc., TD Ameritrade, Folio Institutional, and The Trust Company of America. These broker dealers/custodians offer independent investment advisers such as AWM various services, which include custody of client securities, trade execution, clearance, and settlement of transactions, and daily research and investment information.

Research and Other Soft Dollar Benefits

AWM recommends custodians based on the proven integrity and financial responsibility of the firm, best execution of orders at reasonable commission rates, and quality of client service. We are

independently owned and operated and do not receive fees or commissions from any custodian or broker-dealer, although AWM may receive additional benefits from these firms such as electronic delivery of client information, electronic trading platforms, institutional trading support, proprietary and/or third party research, continuing education, practice management advice, and other services provided by custodians for the benefit of investment advisory clients.

The receipt of additional benefits may give us an incentive to recommend these firms. This is a conflict of interest. We believe, however, that our selection of these firms for custodial and brokerage services is in the best interests of our clients. Our belief is primarily supported by the scope and quality of services provided to our clients and not services that benefit only us. Additionally, these benefits are offered to all investment advisers that use these firms for brokerage and execution services and not just our firm.

Additionally, we understand our duty to obtain best execution and, on a periodic basis, we conduct a best execution review considering the full range and quality of services obtained from the broker dealers and custodians that we recommend, including execution quality, commission rate, the value of research provided, financial strength and responsiveness to our requests for trade data and other information. Our obligation is not necessarily to get the lowest price but to obtain the best qualitative execution.

Directed Brokerage

The client may direct brokerage to a specified broker-dealer other than the Firm recommended by AWM. It is up to the client to negotiate the commission rate, as AWM will not. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through the broker-dealer used by AWM. Where the client does not otherwise designate a broker-dealer, AWM recommends a broker-dealer with competitive commission rates.

Review of Accounts - Item 13

Portfolio Management Account Reviews

AWM monitors the individual investments within client portfolios each day the market is open. Portfolio performance is reviewed, at a minimum, on a quarterly basis. AWM offers portfolio management clients an in-person portfolio review meeting on an annual basis. A financial plan is a snapshot in time and no ongoing reviews are conducted. We recommend clients engage us on an annual basis to update the financial plan. All portfolio reviews are performed by Matthew Stevenson, President.

Clients will receive statements directly from their account custodian(s) on at least a quarterly basis.

Client Referrals and Other Compensation - Item 14

Recommendation of Other Advisors

We may recommend that you use a third party advisor (TPA) as part of our asset allocation and investment strategy. AWM will share in the compensation received by the TPA for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of the third party advisor. In order to address this conflict, the firm has adopted a code of ethics that obliges all associated persons to deal fairly with all clients when taking investment action and to uphold their fiduciary duty and to put the client's interest first. Clients are not required to use the services of any TPA we recommend.

AWM may compensate individuals and/or entities for client referrals. All solicitor agreements are in compliance with the Investment Advisers Act of 1940 and applicable state regulations. In addition, all applicable federal and state laws will be observed. Clients procured by solicitors will be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to or at the time of entering into the advisory agreement.

Custody - Item 15

AWM is deemed to have custody of client funds solely because of the fee deduction authority granted by the client in the investment advisory agreement.

In order to comply with the State of California's custody requirements, the firm will not deduct advisory fees from California client accounts unless the following requirements are met:

- The client provides written authorization permitting the fees to be paid directly from the client's account held by the custodian. AWM does not have access to client funds for payment of fees without client consent in writing.
- AWM sends the client an invoice showing the amount of the fee, the value of the client's assets on which the fee is based, and the specific manner in which the fee was calculated.
- It is disclosed to the client that it is the client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated.
- AWM will send an invoice to the custodian indicating the amount of the fee to be paid by the custodian.
- The custodian agrees to send the client a statement, at least quarterly, indicating all amounts dispersed from the account including the amount of the advisory fee paid directly to AWM.

Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. The custodial statement is the official record of your account for tax purposes.

Investment Discretion - Item 16

AWM offers Portfolio Management Services to its advisory clients on both a discretionary and non-discretionary basis. AWM will manage client accounts on a discretionary basis if the client has granted discretionary authority in the client advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold and do not require advance client approval. However, AWM does not have the ability to withdraw funds or securities from the client's account.

In a non-discretionary account, an Associated Person of AWM recommends the purchase or sale of securities for review and approval by their clients. AWM will only purchase or sell securities, which have been approved by clients in advance.

You may limit this authority if you wish by, for example, setting a limit on the type of securities that can be purchased for your account. Simply provide us with your restrictions or guidelines in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

Voting Client Securities - Item 17

Proxy Voting

AWM does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. You may ask questions about proxies by contacting us via the contact information on the cover page.

Financial Information - Item 18

We are required in this Item to provide you with certain financial information or disclosures about AWM's, financial condition. AWM does not require or solicit the prepayment of over \$500, six or more months in advance. Additionally, AWM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Requirements for State-Registered Advisors - Item 19

Principal Executive Officers and Management Persons

Matthew Ian Stevenson

Year of Birth: 1988

Formal Education:

- Radford University, Masters Degree in Industrial/ Organizational Psychology, 2013
- Virginia Tech, Undergraduate in Psychology, 2011

Business Background Previous Five Years:

- AWM Financial Services Inc., Client Services Specialist, 10/2013 to 04/2016; Investment Adviser Representative, 04/2016 – Present; President, 06/2016 to 01/2019, Vice President, 01/2019 – 06/2020, President, 06/2020 – Present.

D. Ryan Wheless

Year of Birth: 1977

Formal Education:

- Embry-Riddle Aeronautical University, Attended, 1999 to 2001.
- San Jacinto College, Attended, 1997 to 1999.
- Jefferson State College, Attended, 1994 to 1996.

Business Background Previous Five Years:

- AWM Financial Services Inc., Formerly Senior Financial Planning, Founder/CEO/Principal Owner, 01/2008 - Present.
- Allied Wealth Consulting, LLC, Manager, 11/2013 to Present.
- AWM Insurance Services Inc., Manager, 02/2011 to Present.
- Retirement Wealth Advisors, Inc., President, 01/2016 to 04/2017.
- Formula Folio Investments, LLC, President, 01/2016 to 04/2017.

Outside Business Activities

Please see Item 10 – Other Financial Industry Activities and Affiliations for further information.

Performance Based Fees

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

Disciplinary Information

Mr. Wheless and Mr. Stevenson have not been involved in any material, reportable, disciplinary events.

Other Relationships or Arrangements with Issuers of Securities

Our Firm and our related persons do not have any relationships or arrangements with any issuer of securities.

Miscellaneous

Class Action Lawsuits

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. AWM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where the Firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate, and the client has authorized contact in this manner.

Trade Error Correction Procedures

On infrequent occasions, an error may be made in a client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the Firm generally seeks to rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others canceling the trade or adjusting an allocation. Any losses resulting from error correction will be placed in AWM's error correction account.

Confidentiality

AWM views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure.

AWM does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client account, AWM may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

AWM restricts internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. AWM

maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the Firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the Firm's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, the Firm will deliver a copy of the current privacy policy notice to its clients on an annual basis. If you have any questions on this policy, please contact Matthew Stevenson, President, at (281) 444-7555.