

**Part 2A of Form ADV:**  
**CWA Asset Management Group, LLC**  
**Client Brochure**  
**February 22, 2021**

**Item 1: Cover Page**

*This brochure provides information about the qualifications and business practices of CWA Asset Management Group, LLC d/b/a Capital Wealth Advisors and d/b/a blueharbor wealth advisors (hereinafter "CWA" or "we"). If you have any questions about the contents of this brochure, please contact us at (239) 434-7434 or by email at: Kimberly.key@capitalwealthadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*CWA is a registered investment adviser. Registration as an investment adviser does not imply that CWA or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business. In addition to the disclosures set forth in this brochure, CWA may disclose other information that may be material to advisory relationships with its clients by other means, including written or oral disclosures.*

*Additional information about CWA is also available on the SEC's website at <https://www.adviserinfo.sec.gov>. CWA's CRD number is: 158940.*

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## Item 2: Material Changes

Since CWA's last annual updating amendment filing dated March 30, 2020, Kimberly Key has been named Chief Compliance Officer as of January 11, 2021.

In addition, CWA is reporting the following material changes in this brochure from the date of the prior annual updating amendment:

- Item 4- The brochure has been updated to reflect changes to the ownership of CWA, that resulted from: (i) Fundamental Global Investors, LLC, which was previously a principal owner of CWA ("Fundamental Global Investors"), distributing its ownership interests in CWA to its underlying beneficial owners, Mr. D. Kyle Cerminara, Mr. Joseph Moglia, and Mr. Lewis Johnson; (ii) Mr. Joseph Moglia, the Moglia Trust 2, and Mr. Johnson purchasing the ownership interests that were distributed to Mr. Cerminara from Fundamental Global Investors; and (iii) Mr. Johnson transferring all of his ownership in CWA to the Lee Carol Johnson 2020 Irrevocable Trust.
- Item 4 & Item 5- CWA is adding disclosures to further describe the Insurance Services provided, affiliated insurance entities, and the separate fees for such Insurance Services.

### Item 3: Table of Contents

Item 1: Cover Page.....	i
Item 2: Material Changes.....	ii
Item 3: Table of Contents.....	iii
Item 4: Advisory Business.....	1
Item 5: Fees and Compensation.....	4
Item 6: Performance-Based Fees and Side-By-Side Management.....	9
Item 7: Types of Clients.....	9
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss.....	9
Item 9: Disciplinary Information.....	16
Item 10: Other Financial Industry Activities and Affiliations.....	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	19
Item 12: Brokerage Practices.....	21
Item 13: Reviews of Accounts.....	22
Item 14: Client Referrals and Other Compensation.....	23
Item 15: Custody.....	26
Item 16: Investment Discretion.....	26
Item 17: Voting Client Securities (Proxy Voting).....	27
Item 18: Financial Information.....	27

## Item 4: Advisory Business

### A. Description of the Advisory Firm

CWA is a Delaware limited liability company. CWA sometimes conducts business under the assumed names “Capital Wealth Advisors” and “blueharbor wealth advisors.” CWA has been in business since August 2011. The principal owners of CWA are Blaine Ferguson and William Beynon. The other owners of CWA include Joseph Moglia, the Moglia 2 Trust (a trust established by Mr. Moglia), and the Lee Carol Johnson 2020 Irrevocable Trust (a trust established by Lewis Johnson, a Manager of CWA).

### B. Types of Advisory Services

CWA offers the following services to advisory clients:

#### *Investment Advisory Services*

CWA provides portfolio management and investment advisory services primarily to individuals, high net worth individuals or families, as well as trusts, endowments, charitable organizations, insurance companies, pension plans and other business entities herein referred to each as a “**client**” and collectively the “**clients**”. CWA manages client assets based on the individual goals, objectives, time horizon, and risk tolerance of each client. CWA creates an Investment Policy Statement (“**IPS**”) for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client’s specific situation. CWA typically will manage client assets in separately managed accounts (each, an “**SMA**” or a “**client account**”). An SMA is a dedicated account owned by a client and governed through an investment management agreement (“**IMA**”) between a client and CWA. Investment advisory services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Model Portfolios
- Personal investment plan
- Asset selection
- Ongoing portfolio monitoring

CWA evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. CWA will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

For non-discretionary client accounts, the same process will occur as outlined above, except that clients must approve the initial implementation and all subsequent changes to the asset allocation and trades. Within our non-discretionary capacity, we

may purchase or sell securities to meet the cash needs of the client (including without limitation the payment of our management fee). These purchases and sales will be executed in a manner such that the resulting allocations will generally match the allocation and target range for asset classes in the account prior to the purchase or sale. Our advisory services are tailored to the objectives and strategies of each client. All client accounts will be managed by the CWA portfolio management team.

### ***Family Office Services***

In addition to investment advisory services, CWA provides family office services to ultra-high net worth clients. These services include tax planning, estate planning, philanthropic planning and day to day administration and management of a family's affairs.

### ***Financial Planning Services***

In addition to investment advisory services, CWA provides financial planning services to its clients. These services include tax planning, estate planning, and philanthropic planning.

### ***Recommendation of Affiliated Funds***

CWA recommends that clients invest in private funds that are sponsored and advised by Fundamental Global Investors (of which Mr. Moglia and Mr. Johnson are members) or one of its relying investment advisers that advise private funds (collectively, the "Fundamental Relying Advisers"), which, as of the date of this brochure, include FGI Funds Management, LLC ("FGI"), FGI International USVI, LLC ("FGI International"), Fundamental Global Advisors, LLC, Fundamental Global Capital Appreciation Advisor, LLC and FG Special Situations Fund Advisor, LLC. CWA may also recommend that clients invest in private funds that are sponsored by Fundamental Global Asset Management LLC ("FGAM"). For purposes of this brochure: (i) "Fundamental" means either or all of Fundamental Global Investors, the Fundamental Relying Advisers, and FGAM; and (ii) "Fundamental Funds" means private funds that are sponsored or advised by Fundamental or FGAM. Additional details regarding the Fundamental Funds and FGAM is provided in Item 10.C below.

### ***Sub-Advisory Services***

CWA provides sub-advisory services to clients of its affiliated investment adviser, CWA Naples, LLC ("CWA Naples"), pursuant to a sub-advisory agreement between CWA Naples and CWA.

CWA may also provide investment services in the form of model portfolios and through sub-advisory arrangements to third party investment managers.

### *Engaging Third-Party Managers*

CWA may also recommend one or more third-party sub-advisers ("**Independent Managers**") to manage a portion of client assets if deemed in the best interest of a client, subject to that client's IMA, investment objectives and risk tolerance. Depending on the arrangement CWA will either execute a sub-advisory agreement with the Independent Manager or require clients to sign separate written agreements directly with those Independent Managers. Additionally, clients could be asked to open new custodian accounts with a third-party custodian to separate the sub-advised assets from other client assets advised by CWA. Independent Managers will generally have limited power-of-attorney and will have only trading authority over those assets CWA directs to them for management. Independent Managers will be authorized to buy, sell, and trade on behalf of a client's account and to give instructions, consistent to their authority, to the relevant broker-dealer and custodian. The fees charged by the Independent Managers will be disclosed to clients and will be in addition to the management fees charged by CWA. In addition to management fees, the client could incur transaction and custodial fees on assets managed by the Independent Manager. CWA will monitor and review of all such sub-advised accounts on a periodic basis.

### *Retirement Plan Services*

CWA engages with retirement plan clients in a wide range of capacities. For plans subject to the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), this includes serving as an ERISA Section 3(21) fiduciary providing investment recommendations to the plan sponsor and/or plan trustee. In addition to allocating plan assets and portfolio management, these services can include assistance in setting up an Investment Policy Statement for the portfolio, managing cash and liquidity needs, selecting professional record-keepers, administrators and custodians, and providing in depth quarterly or annual review with the portfolio's performance and our outlook on financial market conditions.

### *Insurance Services*

Certain personnel of CWA are licensed insurance representatives through one or more of CWA's affiliated insurance businesses, and such personnel will review and evaluate clients' various insurance policies and offer clients the option to purchase such policies as life insurance, long term disability, long term care policies and fixed annuities through CWA's affiliated insurance businesses, in which case a written evaluation will typically be provided to client for review and approval. CWA's affiliated insurance businesses will not execute any insurance business without client consent. Clients are under no obligation to execute any insurance business with CWA's affiliated insurance businesses, which are conducted through affiliated entities: 5th Avenue Brokerage, LLC, Liberty Wolfe Enterprises, LLC and Capital Wealth Advisors, Inc.

CWA personnel may also offer variable annuity products through a licensed insurance representative with an unaffiliated broker dealer, Leaders Group,

with such variable annuity business being conducted through an affiliated entity, Calusa River Capital, LLC d/b/a Calusa River ("Calusa River").

### **C. Client Tailored Services and Client Imposed Restrictions**

Specific client financial plans and their implementation are generally dependent upon the applicable client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may request restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. CWA will evaluate requested restrictions and make a determination of whether CWA is willing or able to accommodate such a request.

CWA maintains a restricted list of securities in which CWA may be in the possession of MNPI. Clients may be restricted in trading such securities under those circumstances without the consent of the CCO.

### **D. Assets Under Management**

As of December 31, 2020, CWA has the following regulatory assets under management:

<b>Discretionary Amount:</b>	<b>Non-discretionary Amount:</b>	<b>Date Calculated:</b>
\$1,565,690,635	\$96,192,614	December 31, 2020

<b>Total AUM:</b>	<b>Date Calculated:</b>
\$ 1,661,883,249	December 31, 2020

## **Item 5: Fees and Compensation**

### **A. Fee Schedule**

#### *Investment Advisory Fees*

The following table summarizes CWA's current fee structure for investment advisory services.

<b>Total Assets Under Management</b>	<b>Annual Fee</b>
Up to \$2,500,000	1.15%
Next \$2,500,000 (\$2.5MM to \$5MM)	1.00%
Next \$10,000,000 (\$5MM to \$15MM)	0.85%
Next \$10,000,000 (\$15MM to \$25MM)	0.75%
Next \$10,000,000 (\$25MM to \$35MM)	0.65%
Next \$10,000,000 (\$35MM to \$45MM)	0.55%
Any assets over \$45,000,000	0.50%

Investment advisory fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached to each client's IMA. In addition, certain legacy advisory clients pay fees according to a different fee schedule, which could include fees of up to 1.75% of the first \$1,000,000 of assets under management, and fees of up to 1.25% of any assets between \$1,000,000 and \$10,000,000.

Fees are paid quarterly in advance, and clients may terminate their contracts with thirty days' prior written notice. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. The point of termination is the shorter of thirty-days of receiving notification or the end of the quarter. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Clients may terminate their contracts without penalty, within 5 business days of signing the advisory contract. Investment advisory fees are withdrawn directly from the client's account(s) with client written authorization.

#### ***Family Office Services Fees***

Fees for family office services are negotiated with each family office depending on the needs of the client for services that include tax planning, estate planning, philanthropic planning and day to day administration and management of the family's affairs. Fees for family office services may be deducted from the client's account in the same manner as fees for investment advisory services. In certain circumstances, when the fees for family office services are combined with fees for investment advisory services, the total fees deducted from a family office client's accounts may exceed the fee schedule outlined above under investment advisory services.



### ***Financial Planning Services Fees***

Fees for financial planning services are negotiated with each client depending on the needs of the client for services that include tax planning, estate planning, and philanthropic planning. Fees for financial planning services may be deducted from the client's account in the same manner as fees for investment advisory services. In certain circumstances, when the fees for financial planning services are combined with fees for investment advisory services, the total fees deducted from a client's accounts may exceed the fee schedule outlined above under investment advisory services.

### ***Fees Associated with Fundamental Funds***

Clients who invest in Fundamental Funds generally pay management fees and performance compensation to Fundamental or Fundamental's affiliates, which are in addition to any investment advisory fees that are paid to CWA. The amount of and terms applicable to each Fundamental Fund's fees and performance compensation can be found in the Fundamental Fund's offering document. In addition, as discussed further in Item 8.C., clients who invest any Fundamental Funds that is a fund of funds may bear multiple levels of fees, performance compensation, costs, and expenses. To the extent a client invests in a Fundamental Fund that is a fund of funds, such Fundamental Fund may invest in other Fundamental Funds, in which case multiple levels of fees and performance compensation will be payable (directly or indirectly) by such investor to Fundamental or Fundamental's affiliates.

### ***Fees for Insurance Services***

Clients will not pay additional fees for insurance products purchased through the CWA's affiliates, 5<sup>th</sup> Avenue Brokerage, LLC, Liberty Wolfe Enterprises, LLC, Capital Wealth Advisors, Inc. or Calusa River, however such affiliates receive compensation in the form of commissions from the insurance companies.

### ***Independent Manager Fees***

For Clients whose assets are sub-advised by an Independent Manager, clients could also be required to execute a separate management agreement and custodial account with the Independent Manager selected by CWA to manage a portion of client assets and will also be charged separate management fees by such Independent Manager in addition to the fees charged by CWA. CWA does not receive any portion of these commissions, fees, and costs.

## **B. Payment of Fees**

### ***Payment of Investment Advisory Fees***

Generally, client fees will be debited from the client's account that generated the fee, unless otherwise indicated by the client in writing. If a client does not have enough liquidity in its client account to pay the management fee, CWA will instruct the custodian to liquidate securities in the client account or use margin to cover the amount of management fees. The amount of the management fee will be pro-rated for periods of less than a full billing period. Clients can also request to be invoiced for investment advisory fees and can submit separate payment.

### ***Payment of Family Office Fees***

Fees for services provided to the family office may be billed directly to the client on a monthly or quarterly basis or may be withdrawn directly from the client's accounts in the same manner as investment advisory fees, as negotiated with the client.

### ***Payment of Financial Planning Fees***

Fees for financial planning services provided to the client may be billed directly to the client as a fixed fee or on a monthly or quarterly basis, or may be withdrawn directly from the client's accounts in the same manner as fees paid for investment advisory services, as negotiated with the client.

### ***Fees for Retirement Services***

CWA is deemed to be a fiduciary to advisory clients that are employee benefit plans subject to ERISA or plans subject to Section 4975 of the Internal Revenue Code of 1986 (the "**Code**"), such as individual retirement accounts (IRAs). As such, CWA is subject to specific duties and obligations under ERISA and the Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, CWA will only charge fees for investment advice on products for which CWA does not receive any commissions or trailing fees such as 12b-1 fees, unless such payments are structured in a manner that complies with ERISA and the regulations and rulings of the Department of Labor.

### ***Fees for Insurance Services***

Clients will not pay additional fees for insurance products purchased thru the Firm's affiliates, 5<sup>th</sup> Avenue Brokerage, LLC, Liberty Wolfe Enterprises, LLC, Capital Wealth Advisors, Inc. or Calusa River, however such affiliates receive compensation in the form of commissions from the insurance companies.

### ***Refunds of Prepaid Fees***

Fees are paid quarterly in advance, and clients may terminate their contracts with thirty days' prior written notice. If a client terminates before the end of a billing period, fees that are paid in advance will be refunded. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. The point of termination is the shorter of thirty-days of receiving notification or the end of the quarter.

### **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third-party fees (including, but not limited to, custodian fees, brokerage fees, mutual fund fees, transaction fees, Independent Manager fees, and management fees or performance compensation paid to underlying private funds in which clients invest).

To the extent clients invest in Fundamental Funds, such clients are also responsible for the payment of all fees to Fundamental or Fundamental's affiliates as provided in the governing documents of the applicable Fundamental Fund. If clients invest in Fundamental Funds, CWA (indirectly) or its related or controlling persons (directly or indirectly) benefit from management fees and any performance fees payable to Fundamental or its affiliates.

The foregoing fees are separate and distinct from the fees and expenses charged by CWA.

Please see Item 12 which provides additional detail regarding brokerage and custodial relationships.

### **D. Outside Compensation For the Sale of Securities to Clients**

Neither CWA nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds. However, (i) related or controlling persons of CWA (e.g., Fundamental) may directly or indirectly benefit from CWA clients investing into Fundamental Funds as discussed in "Fees Associated with Fundamental Funds" in Item 5.A. above and in the "Private Funds Affiliated with CWA" risk factor in Item 8.C. below and (ii) supervised persons of CWA through their affiliations with Fundamental receives compensation through their financial interests in affiliates resulting from clients investing in Fundamental Funds as discussed further in Item 10.D.

Related person of CWA will receive compensation from their financial interests in 5<sup>th</sup> Avenue Brokerage, LLC, Liberty Wolfe Enterprises, LLC, Capital Wealth Advisors, Inc., or Calusa River when transacting insurance business on behalf of clients.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

CWA does not have any performance-based fee arrangements. However, Fundamental Funds charge performance compensation, which will benefit CWA's related persons (directly or indirectly).

"Side-by-side management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because CWA has no performance-based fee accounts, it has no side-by-side management

## **Item 7: Types of Clients**

CWA generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Family Offices
- ❖ Trusts and Estates
- ❖ Pensions and Profit-Sharing Plans
- ❖ Charitable Organizations
- ❖ Corporations and Other Business Entities

### ***Minimum Account Size***

CWA does not have a minimum account size for client accounts.

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

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

#### ***Methods of Analysis***

CWA uses proprietary equity and fixed income models for analyzing and evaluating potential securities investments that may incorporate, without limitation, charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

#### ***Investment Strategies***

CWA generally employs a long-term investment strategy in providing portfolio management and financial planning services for its clients. A long-term investment strategy generally means that securities are purchased with the expectation that the

value of those securities will grow over a relatively long period of time, generally greater than one year.

## **B. Risks of Investment Strategies**

All investments are subject to various types of risks. Accordingly, there can be no assurance that client portfolios will be able to meet their investment objectives and goals or that investments will not lose money. Below is a description of the principal risks involved with investment strategies that are used by CWA.

**Advisory Risk** - There is no guarantee that CWA's judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results. In addition, CWA's methods involve certain risks, including the following:

- **Charting Analysis.** Charting Analysis involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.
- **Fundamental Analysis.** Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. Using fundamental analysis involves the risk that the market will fail to reach expectations of perceived value.
- **Technical Analysis.** Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. Use of technical analysis involves the risk that markets do not always follow patterns and relying solely on this method may not work long term.
- **Cyclical Analysis.** Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

## **C. Risks of Specific Securities in Client Portfolios**

**Risk of Specific Securities Utilized in Client Portfolios** - Investing in securities markets involves a risk of loss that you, as a client, should be prepared to bear. The descriptions below detail on risks that are specific to certain types of securities that may be selected for client portfolios by CWA.

- Mutual Funds, ETFs, and Other Investment Pools. CWA may invest client portfolios in mutual funds, ETFs (see Exchange Traded Funds risk factor below) and other investment pools (“pooled investment funds”). Investments in pooled investment funds offer diversification; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds’ success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended. In addition, pooled investment funds have costs that lower investment returns.
- Equities. CWA will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted below, while pooled investment funds have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security’s prospects.
- Fixed Income. CWA may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).
- Exchange Traded Funds (ETFs). CWA may invest portions of client assets in ETFs. An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest, and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which owns a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by

producers of gold or other precious metals, and (3) a significant change in the attitude of speculators and investors.

- REIT Securities. CWA may invest portions of client assets in publicly traded REITs. Investments in REITs are subject to risks similar to those of direct investments in real estate and the real estate industry in general. These include risks related to general and local economic conditions, possible lack of availability of financing, and changes in interest rates or property values. The value of interests in a REIT may be affected by, among other factors, changes in the value of the underlying properties, defaults by borrowers or tenants, market saturation, decreases in market rates for rents, and other economic, political, or regulatory matters affecting the real estate industry generally. REITs depend upon specialized management skills, may have less trading volume in their securities, and may be subject to more abrupt or erratic price movements than the overall securities markets. REITs are also subject to the risk of failing to qualify for favorable tax treatment under the Internal Revenue Code.
- Options. CWA may invest portions of client assets into options, including purchasing or writing put and call options. Investments in options involve risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. These risks include risk: (i) that the counterparty to a transaction may not fulfill its contractual obligations; (ii) of mispricing or improper valuation; and (iii) that changes in the value of the option may not correlate perfectly with the underlying asset, rate or index. Option prices are highly volatile and may fluctuate substantially during a short period of time. Such prices are influenced by numerous factors that affect the markets, including, but not limited to: government programs and policies; national and international political and economic events, changes in interest rates, inflation and deflation and changes in supply and demand relationships. It is possible that certain options might be difficult to purchase or sell, possibly preventing from executing positions at an advantageous time or price, or possibly requiring disposal of other investments at unfavorable times or prices in order to satisfy a portfolio's other obligations.

***Risk of Private Securities*** – CWA may make non-discretionary recommendations to clients regarding private investment opportunities. Investing in private securities involves a risk of loss that you, as a client, should be prepared to bear should decide to invest in private investment opportunities. The descriptions below detail on risks that are specific to certain private securities investments. Clients investing in private securities should review the offering materials for any such offering which may include descriptions of specific risks and conflicts of interest associated with the offering.

- Private Funds. Private funds (including hedge funds, private equity funds, hybrid funds and funds of funds) often engage in leveraging and other

speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; may involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; often charge high fees or performance compensation; often pass through substantial costs and expenses to investors; and may invest in risky securities or engage in other risky strategies. Further risks and terms associated with underlying private funds in which clients invest may be found in such private funds' offering materials, which clients should carefully review prior to making any investment decision regarding the private fund.

- Private Funds Affiliated with CWA. Private Funds affiliated with CWA or its control persons (including Fundamental Funds) are subject to risks associated with potential conflicts of interest because CWA is incentivized to recommend affiliated private funds to clients (rather than unaffiliated private funds) to increase the amount of capital managed by the affiliated private fund or its investment manager or to increase the amount of management fees or performance compensation received by the affiliated investment manager (or its affiliates). Clients considering an investment in a Fundamental Fund should review the offering materials for such funds for the specific risks and conflicts of interests associated with investments in such funds.
- Funds of Funds. Funds of funds often incur multiple levels of fees, performance compensation, costs and expenses, in addition to the fees charged by CWA, because investors in such funds of funds typically, directly at the fund of funds level and indirectly at the underlying funds level, bear management fees, performance compensation, expenses, costs and taxes of the fund of funds and the underlying funds (at both levels). As a result, investors in a fund of funds will pay higher expenses than they would if such investors were invested directly in the underlying funds. Accordingly, the rate of return on an investment in a fund of funds may be lower than the rate of return on a direct investment in the underlying funds.
- Private Placements. Privately offered securities including private placements into private funds, carry a substantial risk as they are subject to less regulation than 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.
- Private Real Estate Investments. Real estate investments face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions



or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

### ***Operational Risk***

- Operational risk is the potential for loss caused by a deficiency in information, communication, transaction processing and settlement and accounting systems. CWA will maintain controls that include systems and procedures to record and reconcile transactions and positions, and to obtain necessary documentation for trading activities.

### ***Business Continuity Risks***

- CWA's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster, terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolong power outages. Although CWA has implemented, or expects to implement, measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. These risks of loss can be substantial and could have a material adverse effect on CWA and its ability to manage clients.

### ***Cybersecurity Risks***

- CWA's information and technology systems could be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltrations by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although CWA will implement various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, CWA will have to make a significant investment to fix or replace them. The failure of these systems and/or disaster recovery plans for any reason could cause significant interruptions in CWA's operations and result in a failure to maintain the security, confidentiality or privacy or sensitive data, including personal information relating to Clients. Such a failure could harm CWA's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of CWA's information, technology or security systems could have an adverse impact on its ability to manage Client accounts.

### *Coronavirus Outbreak*

- The coronavirus pandemic or other similar outbreak and reactions to such an outbreak could cause uncertainty in markets and businesses, including CWA's business, and may adversely affect the performance of the global economy, including causing market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees and vendors to work at external locations, and extensive medical absences. CWA has policies and procedures to address known situations, but because a large outbreak may create significant market and business uncertainties and disruptions, not all events that could affect CWA's business and/or the markets can be determined and addressed in advance.

### *Risk of Loss*

- Investing in securities involves risk of loss that Clients should be prepared to bear. All investments in securities and other financial investments involves substantial risk of volatility arising from numerous factors that are beyond the control of CWA and Independent Managers that service client accounts, including market conditions, changing domestic or international economic or political conditions, changes in tax laws and government regulation and other factors.

### *Economic Conditions*

- Changes in economic conditions, including, for example, interest rates, inflation rates, currency and exchange rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the investment performance of a client's account. Economic, political, and financial conditions, or industry or economic trends and developments, may, from time to time, and for varying periods of time, cause volatility, illiquidity, or other potentially adverse effects in the financial markets. Economic or political turmoil, a deterioration of diplomatic relations or a natural or man-made disaster in a region or country where CWA's client assets are invested may result in adverse consequences to such clients' portfolios. None of these conditions is or will be within the control of CWA, and no assurances can be given that CWA will anticipate these developments.

**Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.**

In the course of creating and managing a client's investment portfolio, CWA believes it is important for CWA's clients to understand and evaluate the risks set forth in this Item 8, as part of their overall approach to setting realistic investment objectives.

## **Item 9: Disciplinary Information**

As a registered investment adviser, CWA is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of CWA or the integrity of CWA's management. CWA has no disciplinary events to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

CWA is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer.

CWA has a supervised person who is licensed with an unaffiliated broker dealer, Leaders Group, to sell variable insurance products.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither CWA nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing types of entities.

### **C. Relationships Material to CWA's Advisory Business**

Certain investment adviser representatives of CWA are licensed insurance agents with 5<sup>th</sup> Avenue Brokerage, LLC, Liberty Wolfe Enterprises, LLC and/or Capital Wealth Advisors, Inc., insurance firms owned by Blaine Ferguson and William Beynon, who are the principal owners of CWA. In addition, a supervised person of CWA is licensed with an unaffiliated broker dealer, Leaders Group, in order for an affiliate of CWA, Calusa River, to receive commissions from variable annuity insurance sales. Blaine Ferguson and William Beynon are the principal owners of Calusa River. From time to time such investment adviser representatives, in their capacity as insurance agents, offer clients insurance and other products for which they are entitled to receive commissions or other remuneration. This creates a conflict of interest that may affect the judgment of these investment adviser representatives when making recommendations to clients; however, CWA's Code of Ethics prohibits its personnel from putting their interests ahead of the interests of clients. Furthermore, clients are not required to use any insurance services offered by CWA's personnel.

Certain investment adviser representatives of CWA are investment adviser representatives of CWA Naples, and, advisory services offered by CWA Naples are performed by CWA pursuant to a sub-advisory agreement with CWA Naples.

Lewis Johnson is a (i) Manager of Fundamental Global Partners GP LLC, the general partner of Fundamental Global Partners LP, a hedge fund, (ii) Director of Fundamental Global Partners Offshore Fund, Ltd., a hedge fund, (iii) Manager of FG Partners GP LLC, the general partner of Fundamental Global Partners QP, LP, a hedge fund, (iv) Director of FGI Global Asset Allocation Fund Ltd. a hedge fund, (v) Director of FGI Global Asset Allocation Offshore Fund Ltd., a hedge fund, (vi) Manager of FGI Global Asset Allocation GP, LLC, the general partner of FGI Global Asset Allocation Fund, LP, a hedge fund, (vii) Manager of Fundamental Activist Fund I GP, LLC, the general partner of Fundamental Activist Fund I, LP, a hedge fund, (viii) Manager of FGI Metrolina GP, LLC, the general partner of FGI Metrolina Property Income Fund, LP, a private fund, (ix) Manager of FGI 1347 GP, LLC, the general partner of FGI 1347 Holdings, LP, a private fund, (x) Manager of FGI Holdings GP, LLC, the general partner of Fundamental Global Holdings, LP, a private, fund, (xi) Manager of Fundamental Global Venture Partners GP, LLC, the general partner of Fundamental Global Venture Partners, LP, a private fund, and (xii) Manager of the Manager of Fundamental Global Capital Appreciation GP, LLC, the general partner of Fundamental Global Capital Appreciation Fund, LP and (xiii) Manager of the Manager of FG Special Situations Fund GP, LLC, the general partner of FG Special Situations Fund, LP. In addition, Mr. Beynon and Mr. Ferguson are (i) Members of FG Partners GP LLC, the general partner of Fundamental Global Partners QP LP, a hedge fund, (ii) Members of FGI Global Asset Allocation GP LLC, the general partner of FGI Global Asset Allocation Fund LP, a hedge fund, (iii) Members of Fundamental Activist Fund I GP, LLC, the general partner of Fundamental Activist Fund I, LP, a hedge fund, (iv) Members of FGI Metrolina GP, LLC, the general partner of FGI Metrolina Property Income Fund, LP, a private fund, (v) Members of FGI 1347 GP, LLC, the general partner of FGI 1347 Holdings, LP, a private fund, (vi) Members of FGI Holdings GP, LLC, the general partner of Fundamental Global Holdings, LP, a private, fund, (vii) Members of Fundamental Global Venture Partners GP, LLC, the general partner of Fundamental Global Venture Partners, LP, a private fund, and (viii) Members of both FGI International USVI, LLC and FGI. In addition, Mr. Johnson, Mr. Beynon, and Mr. Ferguson, are Managers of CWA FGI Special Opportunities Fund GP, LLC, the general partner of CWA FGI Special Opportunities Fund, LP, which is a fund of funds.

Lee Larson, who is an investment advisor representative of CWA, is also a supervised person of Fundamental and serves as a portfolio manager of the Fundamental Global Capital Appreciation Fund, LP.

FGAM is a joint venture that is owned 50% by each of FGI and FG Financial Group Inc. The purpose of FGAM is to sponsor, capitalize and provide strategic advice to investment managers (“FGAM Platform Managers”) in connection with the launch and/or growth of their asset management businesses and the investment products they sponsor (“FGAM Platform Products”).<sup>1</sup> In return, FGAM is entitled to share in the management fees, performance allocations and net profits of such FGAM Platform Managers and FGAM Platform Products. FGAM is governed by a board of managers consisting of four managers including Mr. Lewis Johnson, two of which are appointed by each member of FGAM. FGAM fully owns FG Special Situations Fund Advisor, LLC, a relying advisor of Fundamental Global Investors, LLC. Additional information about FGAM is available in FG Financial Group Inc.’s public filings with the SEC (FGFPP: NASDAQ) and (FGF: NASDAQ) Certain Fundamental Funds and CWA clients own positions in this securities.

Either Fundamental Global Investors or one of the Fundamental Relying Advisers acts as investment manager to all of the Fundamental Funds. As further discussed in Item 10.D, Fundamental Funds are recommended to clients for whom such an investment would be suitable and appropriate.

Furthermore, the Fundamental Funds’ investment activities from time to time enable representatives from CWA or Fundamental to be placed on boards or appointed as officers of certain companies in which the Fundamental Funds invest and which are owned directly or indirectly by CWA clients. Fundamental Funds may also invest in companies in which representatives from CWA or Fundamental already serve as officers and directors. While such representation may enable the Fundamental Funds to enhance the value of their investments (including positions owned by CWA clients), it may limit the Fundamental Funds and CWA clients from freely disposing of certain investments (subject to certain exceptions). In addition, officers and directors of companies in which the Fundamental Funds invest are expected to act in the best interests of such companies, which may not always be consistent with the best interests of the Fundamental Funds or CWA clients. Notwithstanding the foregoing, with respect to any potential conflicts of interest, CWA’s Code of Ethics prohibits CWA and its personnel from putting their interests ahead of the interests of clients.

As of the date of this brochure, Mr. Johnson is a Co-Chairman of Ballantyne Strong, Inc., a Co-Chairman of BK Technologies, Inc. and a Co-Chairman of FG Financial Group Inc., and on the board of directors of Itasca Capital, Ltd. Mr. Moglia serves as the Chairman of FG New America Acquisition Corp., and he is also a Manager of FG New America Investors, LLC, a sponsor of FG New America Acquisition Corp. Directors and officers of public companies receive compensation for their service to such public companies, and representatives of Fundamental and/or CWA serving as public company officers and directors receive such compensation.

Fundamental Global Investors is the owner of Fundamental Global Management, LLC ("FGM"), a company that provides services that are related to the day-to-day management of companies, including, assistance with regulatory compliance, evaluating financial and operational performance, providing a management team to supplement the executive officers, and such other services consistent with those customarily performed by executive officers and employees of companies (collectively, "Shared Services"). Clients of FGM include companies in which the Fundamental Funds invest, and which may be owned directly or indirectly by CWA clients. Because Mr. Johnson has a financial interest in FGM through his ownership in Fundamental Global Investors (and therefore an interest in the fees generated through the Shared Services) and because representatives from CWA or Fundamental could be placed on boards or appointed as officers of certain companies in which the Fundamental Funds invest, the relationship between CWA and FGM creates a conflict of interest to the extent that FGM provides Shared Services to companies in which CWA clients are directly or indirectly invested. Typically, any engagement for Shared Services by a company in which CWA clients are invested will be (or is) on terms that have been approved by the company's independent directors.

#### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

CWA recommends that clients invest in Fundamental Funds. This creates a conflict of interest in that CWA has an incentive to recommend Fundamental Funds to clients in order to increase the amount of capital managed by CWA and its related persons, generate management fees for CWA and its related persons, and generate performance compensation, or net profits for CWA's related persons. Notwithstanding the foregoing, CWA's Code of Ethics prohibits CWA and its personnel from putting their interests ahead of the interests of clients.

CWA also can engage one or more third-party sub-advisers ("**Independent Managers**") to manage a portion of client assets if deemed in the best interest of a client, subject to that client's IMA, investment objectives and risk tolerance. Clients will pay Independent Manager fees in addition to CWA investment advisory fees. CWA does not participate in any fees paid to Independent Managers.

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

#### **A. Code of Ethics**

CWA has adopted a Code of Ethics (the "Code of Ethics"), the full text of which is available to clients or potential clients upon request. The Code of Ethics has several goals. First, the Code of Ethics is designed to assist CWA in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, as amended, CWA owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code of Ethics requires CWA

associated persons to act with honesty, good faith and fair dealing in working with clients.

Next, the Code of Ethics sets forth guidelines for professional standards for CWA's supervised persons. Under the Code of Ethics professional standards, CWA expects its supervised persons to put the interests of its clients first, ahead of personal interests. In this regard, CWA supervised persons are not to take inappropriate advantage of their positions in relation to CWA clients.

Third, the Code of Ethics sets forth policies and procedures to monitor and review the personal trading activities of related persons who have access to non-public information regarding client purchases and sales, who make recommendations to clients, or who have access to such recommendations ("Access Persons"). To the extent that its Access Persons invest in the same securities as those selected for or recommended to clients, CWA's goal is to place client interests first. In addition, the Code of Ethics places certain limitations on the transactions of Access Persons to minimize conflicts of interest.

#### **B. Recommendations Involving Material Financial Interests**

Fundamental sponsors several investments including Fundamental Funds (including Fundamental Funds that are funds of funds) that are recommended to CWA clients. The private placement of CWA clients into such private funds which, if invested in, will materially benefit CWA, Fundamental or their related or controlling persons, in particular because it will increase the amount of fees or performance compensation Fundamental or the related or controlling persons of Fundamental and CWA receive from such clients. In addition, CWA recommends that clients invest in companies, or invest in Fundamental Funds which invest in companies, in which representatives of CWA or Fundamental serve on such companies' boards. Such representatives or CWA or Fundamental or their respective related or controlling persons have material financial interests in such companies. CWA's Code of Ethics prohibits CWA and its personnel from putting their interests ahead of the interests of clients.

Certain investment adviser representatives of CWA are licensed insurance agents with 5<sup>th</sup> Avenue Brokerage, LLC, Liberty Wolfe Enterprises, LLC and/or Capital Wealth Advisors, Inc., insurance firms owned by Blaine Ferguson and William Beynon, who are the principal owners of CWA. These affiliates will receive compensation in the form of commissions from the insurance companies for client insurance business. In addition, a supervised person of CWA is licensed with an unaffiliated broker dealer, Leaders Group, in order for an affiliate of the Firm, Calusa River, to receive commissions from variable annuity insurance sales. Blaine Ferguson and William Beynon are the principal owners of Calusa River. Clients are under no obligation to conduct insurance business with any of the Firm's affiliates.

## Item 12: Brokerage Practices

### A. Factors Used to Select Custodians and/or Broker/Dealers

The custodians recommended by CWA to clients, TD Ameritrade Institutional, a Division of TD Ameritrade, Inc. ("TD Ameritrade") Schwab Institutional, a division of Charles Schwab & Co., Inc., and Fidelity Institutional Wealth have been chosen by CWA based upon on their relatively low transaction fees and access to mutual funds and ETFs. CWA does not charge any premium or commission on transactions, beyond the actual cost imposed by the custodian. TD Ameritrade Institutional is a division of TD Ameritrade Inc. ("TD Ameritrade"), member FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member. On October 6, 2020, Schwab & Co completed the acquisition of TD Ameritrade.

#### 1. *Research and Other Soft-Dollar Benefits*

CWA does not receive research, products, or other services from broker-dealers or another third-party in connection with client securities transactions ("soft dollar benefits"). Should CWA use soft dollars in the future, the Firm will comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), CWA will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. CWA typically considers not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients

CWA's Code of Ethics prohibits all of its personnel from putting their interests ahead of the interests of clients, and CWA's goal is that the first consideration when recommending broker/dealers to clients is to seek best execution. Furthermore, clients are in no way required to select the custodians/broker-dealers recommended by CWA.

#### 2. *Brokerage for Client Referrals*

CWA participates in the TD Ameritrade's AdvisorDirect client referral program. CWA does not select or recommend broker-dealers based solely on whether or not it may receive client referrals from a broker-dealer or third party. Nevertheless, participation in a client referral program with TD Ameritrade provides an incentive for CWA to recommend TD Ameritrade. (See Item 14



below for further discussion of this referral program). Despite this potential conflict of interest, CWA seeks to act in the best interest of the client, including the recommendation of custodians or broker-dealers. The first consideration when recommending broker-dealers to clients is best execution.

### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

CWA allows clients to direct brokerage. CWA may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients' money because without the ability to direct brokerage CWA may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisers allow their clients to direct brokerage.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

CWA provides investment management services to different types of clients. Certain investment management decisions may affect more than one account. For example, CWA may aggregate transaction orders when CWA takes an investment action with respect to multiple accounts with similar investment objectives. This includes aggregating orders involving both client and proprietary accounts. Aggregating trades may benefit a large group of clients by providing CWA the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to aggregate trades can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

CWA's research team monitors the investment models on an ongoing basis in which clients are invested and frequently communicate any changes to CWA client advisers. For those separately managed account clients to whom we provide investment management services, account reviews are based on asset allocation and position targets determined by CWA and are managed on an ongoing basis by members of the investment management team. Different client portfolios may differ from risk targets, allocation models, and other clients in the same model based on each individuals' unique circumstances, requests, tax circumstances, legacy positions, and portfolio drift from varied deposit and/or withdrawal timing. Actual portfolio allocations may differ significantly from the model targets. All investment advisory clients are encouraged to discuss with us his/her/their/its investment objectives, needs and goals and to keep us informed of any changes regarding same. All clients are encouraged to meet, at least annually, with CWA advisers to comprehensively review investment objectives and account performance.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Non-Periodic reviews may be triggered by such events such as but not limited to: material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance). Clients are should communicate changes in their financial situation to their financial adviser.

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a statement that details the client's account holdings including assets held and asset value which will be valued by the custodian.

# **Item 14: Client Referrals and Other Compensation**

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

CWA participates in the institutional advisor program (the "Program") offered by TD Ameritrade. TD Ameritrade, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. CWA receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, CWA participates in the Program and CWA recommends TD Ameritrade to clients for custody and brokerage services. There is no direct link between CWA's participation in the Program and the investment advice it gives to its clients, although CWA receives economic benefits through its participation in the Program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving CWA participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to CWA by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by CWA's related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit CWA

but may not benefit its client accounts. These products or services may assist CWA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CWA manage and further develop its business enterprise. The benefits received by CWA or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, CWA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CWA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the advisor's choice of TD Ameritrade for custody and brokerage services.

In addition, representatives of CWA serve on the TD Ameritrade Institutional Operations Panel, the TD Ameritrade Institutional Advisor Panel ("TD Panels") and the Schwab Advisory Panel ("Schwab Panel"). The TD Panels consist of approximately twenty-four independent investment advisors that advise TD Ameritrade Institutional ("TDA Institutional") on issues relevant to the independent advisor and their experience with TD Ameritrade's service, technology and products. The TD Panels meet in person on average three to four times per year and conduct periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the TD Panels for three year terms by TDA Institutional sales, service and senior management. An investment advisor may serve longer than three years if appointed to additional terms by TDA Institutional senior management. At times, Panel members are provided confidential information about TDA Institutional and Schwab Advisory initiatives. Panel members are required to sign confidentiality agreements. TD Ameritrade and Schwab Advisory do not compensate Panel members. However, TD Ameritrade and/or Schwab may pay or reimburse CWA for the travel, lodging and meal expenses that CWA may incur in attending Panel meetings. The benefits received by CWA or its personnel by serving on the Panels do not depend on the amount of brokerage transactions directed to TD Ameritrade and/or Schwab. Clients should be aware, however, that the receipt of economic benefits by CWA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CWA's recommendation of TD Ameritrade and/or Schwab for custody and brokerage services.

The Schwab Panel consists of representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Advisory Board members enter into nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange (NYSE: SCHW). The Advisory Panel meets in person or virtually approximately twice per year and has periodic conference calls scheduled as needed. Advisory Panel members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Advisory Panel members' travel, lodging, meals and other incidental expenses incurred in attending Advisory Panel meetings.

## **B. Compensation to Non – Advisory Personnel for Client Referrals**

CWA compensates third-party solicitors for client referrals. In addition, CWA receives client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, CWA has been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of, and unaffiliated with, CWA and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise CWA and has no responsibility for CWA's management of client portfolios or CWA's other advice or services. CWA pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25 basis points) of the advisory fee that the client pays to CWA ("Solicitation Fee"). CWA will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by CWA from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired CWA on the recommendation of such referred client. CWA will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

CWA's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, CWA has an incentive to recommend to clients that the assets under management by CWA be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, CWA has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. CWA's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

CWA has a referral agreement with blueharbor bank whereby blueharbor bank refers clients to CWA d/b/a blueharbor wealth advisors. For such client referrals, CWA compensates blueharbor bank 50% of the net management fees earned by providing investment advisory services to such referred clients.

### **Item 15: Custody**

Pursuant to Rule 206(4)-2, CWA is deemed to have custody of our client account's funds and securities because (i) we may debit fees directly from the accounts of such clients and/or (ii) certain clients have executed a letter or instruction or similar asset transfer authorization arrangement with a qualified custodian whereby we are authorized to withdraw client funds or securities maintained with a qualified custodian upon our instruction to the qualified custodian (each, an "SLOA"). The terms of each such SLOA are consistent with the terms described in the February 21, 2017 letter of the Chief Counsel's Office of the Securities and Exchange Commission clarifying custody with respect to a standing letter of instruction or other similar asset transfer authorization arrangement established by a client with a qualified custodian. As a result, with respect to transfers of funds and securities between client accounts and to third parties, client accounts will not be subject to independent verification (*i.e.*, a surprise examination).

The qualified custodian of each client account sends or makes available, on a quarterly basis or more frequently, account statements directly to each client. We urge clients to carefully review these account statements from their qualified custodians and compare the information therein with any financial statements or information received or made available to clients through us or any other outside vendor.

CWA reviews all client custody arrangements, and pursuant to Section 206(4)-2 of the Custody Rule, identifies client accounts subject to a surprise examination. CWA engages an independent public accountant to perform a surprise examination on an annual basis as required by the Custody Rule. The independent public accountant is required to file an ADV-E with the Securities and Exchange Commission within 120 days of the surprise exam documenting the results of such examination.

### **Item 16: Investment Discretion**

With respect to discretionary investment advisory services, the client grants CWA the authority through an executed investment advisory agreement to carry out various activities in the account, generally including the selection and amount of securities to be purchased or sold in a portfolio without obtaining additional consent from the client. CWA then directs investment of the client's portfolio using its discretionary authority. The client may limit the discretion of CWA in writing as described in Item 4.C above.

For non-discretionary client accounts, clients must approve the initial implementation and all subsequent changes to the asset allocation and trades.

#### **Item 17: Voting Client Securities (Proxy Voting)**

CWA will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

#### **Item 18: Financial Information**

CWA does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore has no disclosure with respect to this item.