



**The Darrow Company, Inc.  
*d/b/a*  
Darrow Wealth Management**

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**March 15, 2021**

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of Darrow Wealth Management. If you have any questions about the contents of this brochure, contact us at 978-369-5144. 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 Darrow Wealth Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Darrow Wealth Management is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last other than annual updating amendment, dated March 14, 2020, we do not have any material changes to report.

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## **Item 4 Advisory Business**

The Darrow Company, Inc. d/b/a Darrow Wealth Management ("DWM") is a fee-only wealth management and investment advisory firm that has operated since September 1987. DWM manages assets by employing financial strategies based on each client's individual and unique requirements.

DWM provides financial modeling, consulting, and investment management services. DWM's primary office is in Concord, Massachusetts, but it also maintains offices in Boston, Massachusetts. DWM is owned by Thomas McFarland (majority owner) and Kristin McKenna (minority owner).

As of December 31, 2020, we provide continuous management services for \$200,441,931 in client assets managed on a discretionary basis. We also manage \$16,341,286 in client assets on a non-continuous basis, which is commonly referred to as "assets under advisement."

Prior to engaging DWM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with DWM setting forth the terms and conditions under which DWM renders its services (collectively the "Agreement").

This disclosure brochure describes the business of DWM. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of DWM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on DWM's behalf and is subject to DWM's supervision or control.

### **Financial Modeling and Consulting Services**

DWM provides its clients with a broad range of financial modeling and consulting services (including account consolidation and non-investment related matters). These services address, among other issues, tax and cash flow projections, balance sheet and net worth analysis, tax planning, asset allocation strategies, retirement planning, estate planning, professional practice planning, strategies for exercising incentive stock options and nonqualified stock options, and educational needs funding.

DWM also renders consulting services to clients relative to variable life /annuity products that they may own, their individual employer-sponsored retirement plans, and /or 529 plans or other products that may not be held by the client's primary custodian. In so doing, DWM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

In performing services, DWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. DWM recommends the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if DWM recommends its own services. In certain situations, the Firm accepts the discretionary authority to act upon and execute its recommendations. In others, where the Firm lacks the power to exercise discretion and/or execute transactions, the client retains absolute discretion over all such implementation decisions and is free to accept or reject any of DWM's recommendations. Clients are advised that it remains their responsibility to promptly notify DWM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising DWM's previous recommendations and /or services.

## **Investment Management Services**

Clients can engage DWM to manage all or a portion of their assets on a discretionary basis. If you participate in our discretionary investment management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the Agreement you sign with our firm and the appropriate trading authorization forms.

DWM primarily allocates clients' investment management assets among low-cost exchange-traded funds (ETFs) and select passively-managed mutual funds in accordance with the investment objectives of the client. DWM frequently recommends mutual funds offered by Dimensional Fund Advisors ("DFA") where suitable for clients. DFA sponsored mutual funds follow a passive asset class investment philosophy which is academically research driven. From time to time depending on a client's individual financial situation, DWM also allocates clients' investment management assets among certificates of deposit and other securities. DWM also provides advice about any type of investment held in clients' portfolios.

DWM tailors its advisory services to the individual needs of clients. DWM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. DWM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify DWM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon DWM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in DWM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

DWM provides the above-referenced services principally through its Private Wealth Management program. The Private Wealth Management program offers DWM's clients a broad and extensive range of asset management, financial planning, tax planning, estate planning and trust management services. With respect to the financial planning services offered through the Private Wealth Management program, where appropriate, DWM helps its clients develop an extensive financial model that supports the client's goals and needs for a separate fee. With respect to the asset management services, based on a client's risk profile and unique set of financial goals and objectives, DWM assists its clients in determining an appropriate investment objective used to manage the client's financial assets. DWM creates for its clients a personal investment portfolio of carefully selected mutual funds and ETFs selected to meet their elected investment objectives. The client's asset allocation is determined based on the client's investment objectives and goals. DWM's investment management process includes: creating a diversified portfolio with an expected rate of return over the long-term that reflects a client's Risk Profile; monitoring portfolios to enable DWM to make changes as needed to accommodate new requirements, new strategies, or new interests; and maintaining a responsive investment program sensitive to a client's needs as they evolve, rebalancing a portfolio and modifying risk as circumstances warrant. Clients must maintain at least \$1,000,000 in assets with DWM to participate in the Private Wealth Management program, however, DWM, in its sole discretion, may accept clients with smaller portfolios for various reasons as listed under the minimum account size section of this document.

## **Retirement Plan Consulting Services**

DWM provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized.

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by DWM as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of DWM's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

## **Item 5 Fees and Compensation**

DWM offers its services on a fee basis, which include hourly and/or fixed fees, as well as fees based upon assets under management depending on the particular engagement with each client.

### **Financial Modeling and Consulting Fees**

DWM charges a fixed fee and/or hourly fee for financial modeling and consulting services. These fees are negotiable, but generally range up to \$10,000 on a fixed fee basis and/or \$250 to \$400 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial modeling and /or the consulting services. If the client engages DWM for additional investment advisory services, DWM may offset all or a portion of its fees for those services based upon the amount paid for the financial modeling and /or consulting services.

Prior to engaging DWM to provide financial modeling and /or consulting services, the client is required to enter into a written agreement with DWM setting forth the terms and conditions of the engagement. Generally, the financial modeling and/or consulting fee (estimated hourly or fixed) is payable upon entering the written agreement.

### **Estate Plan Settlement and Discovery Services**

When asked upon by clients, DWM may provide a range of estate plan settlement and litigation discovery services for its clients. Fees for such services range from \$250 to \$400 per hour, depending on the nature and scope of such services.

### **Investment Management Fee**

DWM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by DWM. DWM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. DWM does not, however, receive any portion of these commissions, fees, and costs. DWM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by DWM on the last day of the previous quarter (the "Portfolio Value"). The annual fee typically varies (between 0.70% and 1.00% for any portfolios containing equity securities and between 0.25% and 0.50% for any portfolios containing only fixed income securities) depending upon the market value of the assets under management and the type of investment management services to be rendered. Such fees may be reduced by DWM in its sole and absolute discretion. As discussed in Item 7 (below), DWM generally imposes an account minimum fee of \$2,500 for starting and maintaining an investment management relationship with the Firm.

In limited circumstances, DWM alters its billing arrangement for clients (i.e. bill in arrears instead of advance). This is agreed upon directly with the client.

Where appropriate, DWM also acts in the capacity as the consultant for fund selection and provides plan participant education. For those 401(k) plans where DWM acts as the consultant, DWM will charge a flat 0.50% fee per annum, billed in arrears, based on the value of the plan in its entirety as of the end of the previous quarter.

DWM utilizes more than one custodian for its clients, and as such, not all clients maintain assets at the same custodian. Due to client portfolios consisting of multiple portfolios and/or assets, the Portfolio Value is determined by one or more independent third-party custodians and/or vendors that DWM deems reliable. For example, should DWM effect a trade in a fixed income security through more than one custodian the pricing services of the custodians may not match, therefore, DWM uses the pricing services from a third-party vendor for fee calculation. Additionally, the custodian generally does not include accrued interest, while we do, since liquidation would include the value of accrued interest. As such, when calculating the client's portfolio value and its fees, the billable value of the account may differ from the client's custodial statement which will impact the performance and fee calculations. DWM believes its valuation incorporates a more accurate methodology. Clients are encouraged to review their custodian's account statement.

DWM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.)

To enable clients to benefit from the lowest possible fee rate, immediate family member accounts and/or business related accounts may be aggregated for the purpose of determining fees (e.g., profit sharing account and immediate family members and/or pension or personal trusts associated with those individuals whose designated fee schedules are the same (e.g., equity or fixed income) will be aggregated and treated, for billing purposes, as one account within the same fee structure so as to achieve the lowest possible fee rate).

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), DWM generally recommends that clients utilize the brokerage and clearing services of TD Ameritrade, Inc. ("TD Ameritrade"). DWM also utilizes the brokerage and clearing services of Fidelity Institutional Wealth Services ("Fidelity"), Charles Schwab & Co., Inc. ("Schwab") and/or National Advisors Trust Company, FSB ("National Advisors Trust") for investment management accounts.

DWM may only implement its investment management recommendations after the client has arranged for and furnished DWM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, TD Ameritrade, Fidelity, Schwab, National Advisors Trust, any other broker-dealer recommended by DWM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Clients incur certain charges imposed by the Financial Institutions and other third parties such as custodial fees, margin costs, reporting charges, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to DWM's fee.

**Fee Debit**

DWM's Agreement and the separate agreement with any Financial Institutions may authorize DWM to debit the client's account for the amount of DWM's fee and to directly remit that management fee to DWM. Any Financial Institutions recommended by DWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to DWM. Alternatively, clients may elect to have DWM send an invoice for payment.

**Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a pro rata basis.

At an account's inception, DWM selects a date that it will begin managing the assets ("start date"). The start date varies depending upon the status of assets being successfully transferred to the account custodian. DWM charges a prorated fee for the first quarter beginning on the start date through the end of the quarter.

The Agreement between DWM and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. DWM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

The client may make additions to the account at any time, subject to DWM's right to terminate an account. Clients may withdraw account assets on notice to DWM, subject to the usual and customary securities settlement procedures. However, DWM designs its portfolios as long-term investments and asset withdrawals may impair the achievement of a client's investment objectives. Additions may be in cash or securities, provided that DWM reserves the right to decline to accept particular securities into a client's account.

Additions may be in cash or securities provided that DWM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$50,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

**Initial Consultation Deposit**

In order to secure your initial consultation, we require a refundable deposit of \$350. Following the completion of the initial consultation, we will refund the deposit back to the credit card used to secure the consultation. You may cancel your consultation and receive a full refund of the deposit by contacting our office more than twenty-four (24) hours prior to your scheduled appointment time. If you fail to appear for your scheduled consultation ("no-show") or fail to cancel more than twenty-four (24) hours prior to your appointment time, your deposit will be forfeited.

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

DWM does not provide any services for performance-based fees or participate in side-by-side management. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.



Our fees are calculated as described in the *Fees and Compensation* section above.

## **Item 7 Types of Clients**

DWM offers investment advisory services to individuals, high net worth individuals, trusts and estates.

### **Minimum Account Size**

To participate in DWM's Private Wealth Management program, clients must invest at least \$1,000,000 with DWM. DWM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. DWM only accepts clients with less than the minimum portfolio size if, in the sole opinion of DWM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. DWM may aggregate the portfolios of family members to meet the minimum portfolio size.

### **Minimum Account Fee**

As a condition for starting and maintaining an investment management relationship, DWM imposes a minimum annual fee of \$2,500. This minimum fee will cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule. DWM may, in its sole discretion, elect to waive its minimum fee based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

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

**Investment Strategies and Methods of Analysis** DWM tailors its investment recommendations to its clients' investment objectives utilizing global asset allocation models developed for each of DWM's managed investment objectives. These models are periodically adjusted according to changes in future market expectations and current market conditions.

DWM offers a variety of models with varying degrees of risk. DWM constructs its models using a top down macroeconomic global market perspective. Individual asset classes, market sectors (i.e., domestic, international, and real estate), market caps (i.e. large, mid, small) and styles (i.e. value, growth) are then assigned within the model according to DWM's global macroeconomic analysis. Subsequently, a combination of investment strategies utilizing passive mutual funds and low cost, low turnover ETFs are utilized to implement the models. DWM frequently recommends passively-managed mutual funds sponsored by DFA as well as other ETFs to clients, depending on the financial situation and investment objectives of such clients. When appropriate, individual securities (equities or fixed income) may be incorporated into the models. DWM reviews client accounts at least quarterly and rebalances the accounts as market conditions warrant.

When evaluating securities, DWM's primary method of analysis is cyclical. Cyclical analysis involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that DWM is recommending. The primary risk in using cyclical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that DWM will be able to accurately predict such a reoccurrence.

## **Risk of Loss**

Investing in securities involves the risk of loss. Clients should be prepared to bear the loss of all amounts invested. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### *Market Risks*

The profitability of a significant portion of DWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that DWM will be able to predict those price movements accurately.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

### *Equity-Related Securities and Instruments*

The Firm may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

### *Fixed Income Securities*

Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations and to price volatility.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client

before retaining our services.

#### *Liquidity Risk*

The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

#### *Credit Risk*

Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

#### *Inflation and Interest Rate Risk*

Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

#### *Horizon and Longevity Risk*

The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

#### **Tax Considerations**

Our strategies and investments are selected with general tax efficiency in mind. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the tax implications of your investments.

#### **Recommendation of Particular Types of Securities**

We primarily recommend mutual funds and exchange-traded funds (ETFs). However, we may advise on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open

end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

**Real Estate Investment Trust:** A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

## **Item 9 Disciplinary Information**

DWM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management. DWM does not have any required disclosures to this Item.

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

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

As discussed above in Item 5, DWM may recommend that National Advisors Trust serve as custodian for certain investment management accounts. National Advisors Trust is a federally chartered trust company controlled by National Advisors Holdings, Inc. ("NAH"). DWM's principal, Thomas J. McFarland III, currently has an ownership interest of less than one percent (1%) in NAH. While DWM may recommend the services of National Advisors Trust for the reasons set forth in response to Item 12 (below), the recommendation of National Advisors Trust by DWM presents a conflict of interest because of Thomas Mr. McFarland's interest in NAH. Neither DWM nor Mr. McFarland directly receives any portion of the fees charged by National Advisors Trust but may receive distributions relative to his respective ownership interest in National Advisors Trust.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

### **Aggregated Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our aggregated trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We generally recommend the brokerage and custodial services of TD Ameritrade, Inc. We may also recommend Fidelity Investments, Charles Schwab Co. Inc. and National Advisors Trust (the "Custodian"). Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services

- The likelihood that your trades will be executed
- Availability of investment research and tools
- Overall quality of services
- Competitiveness of price
- Reputation, financial strength, and stability
- Existing relationship with our firm and our other clients

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

We do not have any soft dollar arrangements.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account Custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **TD Ameritrade Institutional**

We participate in the institutional adviser program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

As disclosed above, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the Program and the investment advice we give you, although we receive economic benefits through our 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 our participants; access to aggregated trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to your accounts); the ability to have advisory fees deducted directly from your accounts; access to an electronic communications network for 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 us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit us but may not benefit your accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to you, we endeavor

at all times to put your interests first. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through TD Ameritrade, Fidelity Investments, Charles Schwab & National Advisors Trust. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

### **Aggregated Trades**

Transactions for each client generally will be effected independently, unless DWM decides to purchase or sell the same securities for several clients at approximately the same time. DWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among DWM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among DWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that DWM determines to aggregate client orders for the purchase or sale of securities, including securities in which DWM's Supervised Persons may invest, DWM shall do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. DWM shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that DWM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares will be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when such account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares will be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations will be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, DWM will exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares will be allocated to one or more accounts on a random basis.

### **Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

## **Item 13 Review of Accounts**

### **Portfolio Management Review**

For those clients to whom DWM provides investment management services, DWM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on a periodic basis. The Firm makes available information regarding the performance, transactions, and holdings in a client's portfolio through a client portal sponsored by Black Diamond and encourages clients to regularly review such information through the client portfolio. For those clients to whom DWM provides financial modeling and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of DWM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with DWM and to keep DWM informed of any changes thereto. DWM shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **General Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom DWM provides investment advisory services may also receive a report from DWM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time. Clients should compare the account statements they receive from their custodian with those they receive from DWM.

### **Financial modeling/Consulting Reports**

Those clients to whom DWM provides financial modeling and/or consulting services will receive reports from DWM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by DWM.

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

Firm employees may receive a bonus for new assets introduced to the Firm for management. DWM may also receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

### **ACH, Wire Transfers and/or Standing Letter of Authorization**

Our firm, or persons associated with our firm, may effect wire transfers from client accounts to one or more third parties ("non-like titled accounts") designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us



with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third-party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as we comply with the SEC's IAA No-Action Letter.

### **Use of Client Log-in Credentials**

Our firm or persons associated with our firm may be in possession of client log-on information to the client's investment accounts. In general, where our account access gives us the ability to control client funds and securities, we are deemed to have custody. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer or other independent, qualified custodian.

### **Surprise Independent Examination**

Where the firm is deemed to have custody, the firm is required to engage an independent accounting firm to perform a surprise annual examination of those assets and accounts over which it maintains custody. Any related opinions issued by an independent accounting firm are filed with the SEC and are publicly available on the SEC's Investment Adviser Public Disclosure website. We do not have direct access to client funds as they are maintained with an independent qualified custodian.

## **Item 16 Investment Discretion**

DWM is given the authority to exercise discretion on behalf of clients. DWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. DWM is given this authority through a limited power-of-attorney included in the agreement between DWM and the client. Clients may request a limitation on this authority (such as requesting that certain securities not to be bought or sold). DWM takes discretion over the following activities:

- The securities to be purchased or sold
- The amount of securities to be purchased or sold
- When transactions are made
- The Financial Institutions to be utilized.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

As it pertains to class action lawsuits, we do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## **Item 18 Financial Information**

DWM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, DWM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. DWM has no disclosures pursuant to this Item.

On April 28, 2020, the firm received a Paycheck Protection Program ("PPP") loan through the SBA, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The firm used the PPP funds to continue payroll for the firm and make other permissible payments and the firm did not suffer any interruption of service.

DWM has not filed a bankruptcy petition at any time in the past ten years.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.