

# **Cain, Watters & Associates, LLC**

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**March 21, 2021**

## **Form ADV Part 2A Brochure**

Cain, Watters & Associates, LLC is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Cain, Watters & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at (972) 233-3323. 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 Cain, Watters & Associates, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the last annual amendment submitted March 2020.

On March 21, 2021, we submitted our annual updating amendment for fiscal year 2020. There were no material changes to report.

We review and update our brochure at least annually to make sure that it remains current. If you would like to receive a copy of the most recent version of our ADV Part 2 Brochure, please call us at (972)-233-3323.

### **Table of Contents - Item 3**

#### **Contents**

Material Changes - Item 2.....	2
Table of Contents - Item 3 .....	3
Advisory Business - Item 4 .....	5
Fees and Compensation - Item 5 .....	10
Performance-Based Fees and Side-By-Side Management - Item 6 .....	16
Types of Clients - Item 7.....	17
Methods of Analysis, Investment Strategies and Risk of Loss - Item 8.....	17
Disciplinary Information - Item 9 .....	19
Other Financial Industry Activities and Affiliations - Item 10 .....	19
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Item 11.....	23
Brokerage Practices - Item 12 .....	24
Review of Accounts - Item 13 .....	25
Client Referrals and Other Compensation - Item 14 .....	25
Custody - Item 15 .....	25
Investment Discretion - Item 16 .....	26
Voting Client Securities - Item 17.....	26
Financial Information - Item 18 .....	26
Requirements for State-Registered Advisors - Item 19 .....	26
Form ADV Part 2A, Appendix 1 .....	28
Material Changes - Item 2.....	29
Table of Contents - Item 3 .....	30
Services, Fees and Compensation - Item 4 .....	31
Account Requirements and Types of Clients - Item 5.....	33
Portfolio Manager Selection and Evaluation - Item 6.....	33
Client Information Provided to Portfolio Managers - Item 7.....	34

Client Contact with Portfolio Managers - Item 8 .....	35
Additional Information - Item 9 .....	35
Requirements for State-Registered Advisors - Item 10 .....	38
Miscellaneous .....	38

#### **Advisory Business - Item 4**

Cain, Watters & Associates, LLC ("CWA") is a registered investment advisor based in Plano, Texas. We are a Limited Liability Company organized under the laws of the State of Texas. We have been providing investment advisory services since 1984.

We provide comprehensive financial planning services geared toward dental healthcare professionals. CWA teaches a philosophy of consistently investing money for the long term. CWA provides the following services:

- **Financial Planning Services**
- **Portfolio/Asset Management Services**

The following paragraphs describe what we do and what we charge. Each investment advisory service is listed below and describes how we tailor our advisory services to our clients' individual needs. Also, clients may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm.

#### **Financial Planning Services**

##### **Business and Personal Financial Planning**

This comprehensive review begins by preparing the client for a one-day meeting at our office located in Plano, Texas. The Initial Consult meeting is structured to assess the client's objectives and financial status both personally and professionally, and together with the client formulate a financial plan which includes initial goal setting and planning. Subsequent consultations will include updates, assessments of progress, and revisions to the Client's financial plan. The financial plan and the meetings are tailored to the individual and their business and personal circumstances, examples of topics that are covered initially and annually include:

##### **Business Planning**

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|--------------------------------------|---|
| • Production analysis & goal setting | • Design of efficient pension plan                                  |
| • Practice overhead & profitability  | • Tax planning strategies   |
| • Practice breakeven analysis        | • Corporate entity structure  |
| • Efficient debt structure           | • Planning for practice expansion, transition or possible associate |
| • Fee structure review               |   |

##### **Personal Planning**

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|--------------------------------------|---|
| • Asset allocations                  | • Insurance coverage                                      |
| • Management of dental school debt   | • Educational savings for children                        |
| • Management and refinancing of debt | • Estate planning review                                  |
| • Investment portfolio analysis      | • Analysis of other critical issues defined by the client |
| • Planning and goals for retirement  |   |
| • Income tax planning                |   |

### **Basic Services for Pension & Retirement Plans**

We will advise the Trustee and/or sponsor, by conferring periodically, no less than annually, or as often as requested, regarding the following services:

- Review the Plan design, and if needed, make recommendations on changes to design of Plan;
- Review overall allocation of investments and assets of Plan;
- To the extent information is provided, CWA will monitor the Plan's investments and assets performance, on a period basis;
- Reconcile contributions to the Plan, and balances due, based on annual administration of Plan provided by third party administrators;
- Make recommendations to the Plan Representative, on estimated annual funding, to the Plan;
- Specifically, as requested only, plan timing of distributions to retired participants of the Plan, especially as to the "rollover" of pension assets;
- Act as liaison between the Plan's attorneys and third-party pension administrators.

### **Global Services Provided to Pension & Retirement Plans Invested in Certain Recommended Investment Programs**

CWA will provide additional services which are more global in nature to pension and retirement plans invested in CWA Recommended Investment Programs. These services generally impact, affect and benefit all of the pension and retirement plan clients with investments and assets in these investment programs. The services are as follows:

- Perform periodic investment and asset manager review (quarterly and intra-quarterly);
- Build relationships with investment and asset managers;
- Perform new investment and asset manager searches for inclusion in CWA Recommended Investment Program;
- Review quarterly performance reports from custodians, overlay managers, and other investment service providers.

For a complete description of fees and charges please refer to the section titled Fees and Compensation within this disclosure Brochure.

The above global services are provided for all clients invested in our Pooled Investment Program; Non-Participant Directed, Unified Managed Account Program ("UMA"), Multiple Manager Account Program ("MMA") and the Separately Managed Account Program ("SMA"). These programs are discussed in further detail below:

**The above services only apply to plans that are not participant directed plans.**

### **Investment Advisory and Consulting - Participant Directed Pension and Retirement Plans**

We will advise the Trustee and/or sponsor, by conferring periodically, no less than annually, or as often as requested, regarding the following services:

- Review the Plan design and, if needed, make recommendations on changes to the design of the Plan;
- Assist in processing documentation to be executed by the Plan Representative (and/or the entity that established the Plan and which is responsible for the maintenance of the Plan (the

“Plan Sponsor”)) related to Plan investments;

- Act as liaison among the Plan’s attorneys, third party pension administrator and the record keeper, and provide assistance to the Plan Representative in the overall management of the Plan;

#### **Investment Management Services – Participant Directed Pension and Retirement Plans**

- Construct and manage asset allocation models utilizing the investments options that were selected to be designated investment alternatives by the Plan’s fiduciaries;
- Make specific recommendations regarding the “qualified default investment alternative(s)” (“QDIAs”) to be made available under the Plan;

#### **Other Financial Planning Services Offered**

##### **Financial Plan Service for Retirees & Others**

Financial plan services will vary depending on the complexity of the client’s individual situation. Those clients with more complex or special circumstances may be required to return annually for a meeting and review of their plan. For clients with a less complicated financial plan it may be appropriate to meet less frequently.

##### **High Net Worth Program**

This program is designed for individuals who are primarily seeking personal investment advisory services. In some cases, individuals may also desire either distribution planning or personal financial planning. Participants in the program can choose from three levels of service: investment advisory only, investment advisory with distribution planning or investment advisory with personal financial planning. Investment advisory services are usually limited to the CWA Recommended Investment Program: Unified Managed Account Program.

##### **Start Up Program**

This program is designed for a new doctor launching their career as a new start up business. Initial financial plan preparation services will vary depending on the needs of the client and the overall complexity of the client’s individual situation. The service starts with a financial planning meeting and covers a follow up period up to twelve months from engagement. During this time, CWA assists the client in implementing their financial plan. On-going financial planning services begins 12 months from the engagement.

Financial plans are based on the client's financial situation and the financial information provided to our firm. If the client's financial situation, goals, objectives, or needs change, the client must notify us promptly.

Clients may choose to accept or reject our recommendations. Clients who decide to proceed with our recommendations may do so either through our investment programs or by using the advisory/brokerage firm of their choice.

Fees charged for Financial Planning services are described under the heading - **Fees and Compensation**.

##### **Investment Advisory Services**

Investment Advisory or Asset management refers to the management of money, including investments. Assets are usually held in what is called a portfolio.

We offer both discretionary and non-discretionary investment advisory services to our clients. Discretionary services means that we have authority to decide which securities to purchase and sell on behalf of a client. Non-discretionary services mean that client consent must be obtained before securities are purchased or sold in client accounts.

Currently, we offer the following asset management programs:

**Pooled Investment Program through an affiliated National Bank (Non-Participant Directed)**

Investment advisory clients have the option to invest personal trust assets and qualified plan trust assets in a pooled investment program, offered through an affiliated national bank. The bank's Trust Department will act as trustee for personal asset accounts and custodian for qualified plan assets accounts established with the bank. The bank offers three (3) investment funds for personal trust assets and six (6) investment funds for qualified plan trust assets.

Each fund is managed by one or more managers or invested in mutual funds. The investment managers are recommended to the bank by Tectonic Advisors, LLC (hereafter "Tectonic Advisors"), an affiliate of both the bank and CWA (Tectonic Advisors and the Bank are commonly owned. *See Other Financial Industry Activities and Affiliations for additional information regarding conflicts*). The bank has contracted Tectonic Advisors to act as lead investment advisor and has granted Tectonic Advisors discretionary authority to utilize or not utilize approved investment managers and to reallocate fund assets among them in accordance with the approved Investment Policy Statement for each fund. Decisions related to the purchase and sale of securities are made by the individual investment managers, ETF managers or mutual fund managers.

Investment advisory clients, in conjunction with advice and recommendations from an Associated Person of CWA, will generally select from one of the investment models that contain various ranges of risk tolerance and asset allocations. The models range from capital preservation to all equity. The client can also customize an allocation to fit their needs and risk tolerance. Such asset allocation recommendation is based upon the client's risk tolerance, financial planning goals, investment objectives and client instructions. The bank requires a signed trust or custodial instrument from the client, appointing the bank as trustee or custodian under the pooled investment program, depending on the type of assets to be invested (personal or qualified plan) as well as other account opening documents. All documents are collected by CWA, who forwards such documents to the bank for the purpose of establishing the trust/custodial account(s).

Purchase of pooled investment funds must be made in cash or wire transfer and will appear on the client's bank statement. In-kind transfers of securities cannot be invested in the pooled investment funds but may be held in the same bank account with the pooled fund investment. This security information will also appear on the client's bank statement. Tax issues relating to the client's liquidation of an investment in a previous investment program are considered during the financial planning and tax planning advice that the client receives from us. Withdrawals of cash can occur up to, and including, the amount of the free cash balance in the trust or custodial account. To the extent that additional cash is required by a client, an appropriate amount of assets held in the fund will then have to be liquidated. It is important to note that liquidation in a qualified plan can occur daily; in a personal trust account however, liquidation can only occur once a week, generally on Fridays. Our investment advisory clients should consider this liquidity timing when investing in the pooled investment funds.



The qualified plan trust assets are valued by the bank daily, and the personal trust assets are valued once a week, generally on Fridays. This is the time admissions and withdrawals are processed. Units of the funds can only be purchased or sold on valuation dates. The cash credit balance will earn a market rate of interest until such balance is invested.

**Unified Managed Account Platform for Individuals, Trusts, Retirement Plans, Corporations, Partnerships and other Legal entities ("UMA")**

CWA, in conjunction with Tectonic Advisors, LLC ("Tectonic"), offers its clients access to the Unified Managed Account ("UMA") Platform. The UMA Platform provides clients with access to a diversified suite of certain portfolio models ranging from preservation of capital to aggressive growth. These models were developed in conjunction with one or more professional money managers that manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives. Tectonic operates technology platforms that are used to manage the models, including trading, rebalancing, billing, performance reporting, and certain other administrative services. In addition, Tectonic provides asset allocation advice, and model provider due diligence and recommendations to CWA regarding model construction and management. Additionally, in some cases, Tectonic serves as one of the model providers available to CWA clients via the UMA Platform. *(See Other Financial Industry Activities and Affiliations for additional information regarding conflicts of interest associated with the recommendation and use of Tectonic's services.)*

UMAs at CWA are single accounts in which a client will have multiple managers and asset classes. Each manager and/or asset class can be managed via a separate account or "sleeve" of the account. Depending on a variety of factors including, but not limited to client risk tolerance and client asset size, a UMA account could include one or more money managers in the equity and/or fixed income space that are run in a separate account or "sleeve". The rest of the UMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities and/or individual bonds, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs.

The transactions in Client accounts will be executed by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") which will also receive a portion of the fee for trade execution services.

CWA clients have the opportunity to allocate their investment monies among three to five investment models, depending on account size, managed by a selection of money managers and/or mutual funds, within a UMA account. Models are recommended based on a client's risk profile, investment goals and objectives. The UMA program requires the approved model providers to meet certain due diligence criteria established by CWA and to operate pursuant to certain operational and technological constraints as prescribed by Tectonic and/or the custodian. Given differences in the ways in which particular clients' individual circumstances are identified and in which those circumstances are interpreted by different Associated Persons of CWA, different clients having the same or closely related personal circumstances and risk profiles may receive somewhat different asset allocation recommendations and, as a result, different investment manager or mutual fund recommendations.

Clients in UMAs grant investment discretion to CWA. This means that CWA may make changes to client allocations, in keeping with previously-agreed upon account objectives, without prior consent from the client.

**Multiple Manager Account Program for Individuals, Trusts, Retirement Plans, Corporations, Partnerships and other Legal entities**

CWA is the co-sponsor of a wrap fee program with Envestnet, a federally registered investment adviser and overlay manager to the program. A wrap fee program combines portfolio management, advisory services and trade execution for a single fee. The MMAs are comprised of asset allocation models created by Envestnet and approved by CWA. Envestnet offers clients access to a diversified suite of two or more professional money managers to manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives.

MMAs at CWA are single accounts in which a client will have multiple managers and asset classes. Depending on a variety of factors, including but not limited to client risk tolerance and client asset size, an MMA account could include one or more money managers in the equity and/or fixed income space that are run in a separate account. The rest of the MMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities and/or individual bonds, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs.

The transactions in Client accounts will be executed by Fidelity Brokerage Services ("Fidelity"), which will also receive a portion of the fee for trade execution expenses. CWA is responsible for client investment advice and communications, suitability analysis, and required disclosures to the client. CWA has contracted with Tectonic Advisors to provide due diligence services and recommend managers from Envestnet's group of money managers. Investment allocation models / recommendations are made by CWA's investment committee to Envestnet.

The terms and conditions under which a Client participates in CWA's wrap fee program will be set forth in a written agreement between the Client and CWA. The overall cost incurred from participation in our wrap fee program may be higher or lower than if the services were purchased separately from other advisers.

The wrap fee accounts are managed by the money managers on a discretionary basis (that is, the money managers do not obtain the Client's approval for each transaction) and are based on a long-term investment strategy. Clients may place reasonable restrictions on portfolio holdings by setting a limit on the type of securities that can be purchased for the account. All restrictions must be provided in writing.

**Separately Managed Account Programs ("SMA")**

For CWA clients with investment assets over \$100,000, the alternative exists for their portfolios to be managed by individual money managers. Individual stock and bond investment managers require various investment minimums generally \$100,000 - \$250,000 per manager. Each stock and bond investment manager requires a separate custodial account. Fees for each manager will be separately identified and deducted from the client's custodial account.

The SMA programs also offer a select group of mutual funds for additional investing options. Generally, the same criteria of investment due diligence, screening and monitoring processes used in the UMA and MMA programs to review and to monitor the money managers are used in the SMA programs.

The client pays CWA (as applicable based on services performed), the Custodian, and the Provider(s) of investment research, due diligence, performance monitoring and performance reporting, including fees charged by separate account manager(s). Depending upon the program the client will authorize CWA, managers, and/or trustees/custodians to deduct fees from the client's accounts at the custodian.

**Participant Directed Pension and Retirement Investment Program Utilizing Pooled Investment Program through an affiliated National Bank**

CWA provides investment advisory services to the Plan trustee/sponsor; as well as Investment Management Services to the Plan and its participants through the construction and management of asset allocation models.

**The Participant Directed Program is offered by CWA affiliate, T Bank, along with services provided by affiliates Tectonic Advisors, Sanders Morris Harris and CWA. By selecting this program, Clients will receive services, including record keeping, custodial, investment advisory, investment management, and other services by CWA and its affiliates. Plan Sponsors should conduct a review of the program to ensure they are meeting their ERISA fiduciary duties prior to executing service agreements.**

CWA shall utilize the T Bank Collective Investment Funds (the "**Investment Options**") and shall provide to the Plan the asset allocation models (the "**Allocation Models**"). The Allocation Models are based on various investment objectives (such as capital preservation or aggressive asset growth) as well as various target date allocations. The Allocation Models consist of varying allocations among the Investment Options made available under the Plan. Each Allocation Model seeks to balance risk and reward by apportioning the assets from conservative to aggressive, so a participant may choose according to his or her own goals, risk tolerance and investment time horizon. These Allocation Models may be provided to the participants so that the participants may utilize them in their investment decisions and implementation. A participant may choose to utilize an Allocations Model for the investment of his or her account assets or may independently choose an allocation among the Investment Options as he or she wishes. CWA shall manage and make changes to the Allocation Models as needed to balance risk and shall provide performance and benchmarking information on the models. CWA shall consult with the Plan Representative to provide support in the overall understanding, education and management of the Investment Options by the participants.

**Assets Under Management**

As of 12/31/2020, we manage \$343,796,157 in client assets on a discretionary basis and \$1,835,487,504 in client assets on a non-discretionary basis.

**Fees and Compensation - Item 5**

CWA charges fixed fees, hourly charges and a percentage of assets under management for its advisory services. At the sole discretion of CWA these fees are negotiable.

**Business and Personal Financial Planning (Initial Consult)**

The fee for the initial consult of Business and Personal Financial Planning is as follows:

Type	Total	Fee Deposit
One Professional	\$9,000	\$4,500
Two Professionals/same household	\$11,000	\$5,500

There are flexible rates for the initial plan for doctors that are new to a practice. We may recommend other professionals in the financial industry to assist the client in the implementation of the financial plan and to carry out its objectives. The fees or charges for their services are paid directly by the client to the professional. These professionals may include third party pension administrators, attorneys, financial institutions, and healthcare practice consultants.

CWA requires one-half of the initial consult fee to be paid upon execution of a letter of engagement. The remaining balance is due and payable the day of the initial consult with CWA. If the client wishes to cancel the appointment after it has been scheduled, the deposit will be returned, pro-rated based on any work already performed on the client's behalf.

Client's on-going business and personal financial planning relationship will begin on the first day of the month following 90 days after the date of the Initial Consult. In exchange for these ongoing services and updates, and for a year end annual consult, CWA will charge an annual fee of \$10,500 (the "**Annual Fee**"), payable in monthly payments of \$875 or quarterly (\$2,625 per quarter) installments. Payments may be made by check or credit card. There may be cases where the fee may be in excess of \$10,500 due to the complexity of client's issues. There may be special circumstances where an hourly fee may be charged. This will be discussed with the client prior to billing.

If the individual client is a trustee/sponsor of established pension plan or becomes one during the course of an engagement, the annual on-going business and personal financial planning program and fee described below applies.

#### **Basic Services for Pension & Retirement Plans**

This service to Trustees of non-participant directed pension and retirement plans is \$300 annually, billed to the plan sponsor and not paid out of plan assets, for each trustee that is a client of CWA. The same billing policy as the on-going business and personal financial planning stated above applies for pension and retirement plans.

#### **Global Services Provided to Pension & Retirement Plans Invested in Certain Recommended Investment Programs (Non-Participant Directed)**

The fee related to the above global services to non-participant directed pension and retirement plans is an annual Assets Under Management (AUM) fee of 0.20% for the Pooled Investment Program based on the most recent valuation of investments and assets of the Plan, which the Plan owns, and holds in the investment program. The AUM Fee will be billed, and collected, monthly, in arrears, and will be prorated if the Plan's investments and assets are initially contributed other than at the beginning of a month. Also, adjustments made, as contributions to, and withdrawals from, the Plan's accounts are made, on a pro-rated basis. The prorated AUM Fee will be deducted from the Plan's accounts on a monthly basis, calculated in arrears, as the annual fee divided by twelve (12).

The AUM fee to client accounts of 0.20% is paid to CWA out of the 0.65% investment program fee charged by the custodian to the account under the terms of the custodian's custody agreement with the plan trustee. Plan trustees authorize the 0.65% fee to be paid from plan assets.

For pension accounts invested in the Unified Managed Account Program (UMA) CWA receives an annual fee of .20%. It is collected and billed as described on page 14 under the UMA program fee description.

#### **Investment Advisory and Investment Management Services - Participant Directed Pension and Retirement Plans**

In exchange for its Services, CWA will charge an annualized fee of **fifty (50) basis points (0.50%)** on the assets invested through the Program (the "**CWA Fee**"), which shall be payable by the Plan Sponsor's own assets and shall not be deducted from participant accounts. The CWA Fee will be billed and collected monthly based on the most recently available market value or valuation of the assets invested through the Program at each month end. CWA shall strictly rely on the market values of the investments and assets the Plan owns and holds through the Program, as such market values have been determined by the record keeper or custodian. In any partial month, the CWA Fee will be prorated, based on the number of days in which assets were invested pursuant to the Program during the quarter. From time to time, the CWA Fee may, out of necessity, be increased. However, CWA will notify the Plan Representative in writing prior to any such change. All fees charged by CWA may vary from client to client because of the different type and nature of services, including investment advisory services, to be performed by CWA for various clients and different methods of computing fees

In addition, there are other fees that will be charged to the participant by the other affiliated service providers (e.g., the record keeper, custodian, third-party administrator, etc.), Plan participants will incur direct and indirect investment fees related to the Investment Options held in his or her Plan account. There are investment advisory fees for each of the collective investment funds that are paid by each participant. In addition, each fund incurs costs related to the administration and the investment management of the fund. These costs are paid directly by the fund itself and not by investors in the fund. Fund costs and expenses reduce the net asset value of the fund and are reported as a percentage of the fund's assets and referred to as the fund's "expense ratio. The indirect cost incurred by each Plan participant will differ, depending on how their portfolio is allocated among the Investment Options.

#### **Other Financial Planning Services Offered**

##### **Financial Plan Service for Retirees & Others**

Financial plan services and related fees will vary depending on the client's individual situation and complexity. Those clients with complicated circumstances will be required to return annually for meeting and review of their plan. For clients with a less complicated financial plan it may be appropriate to alternate every other year for the meeting at a slightly reduced fee. The annual financial plan fee will range up to \$10,500. The fees will be billed on a monthly or quarterly basis.

##### **High Net Worth Program**

CWA Advisory fees for all three levels of service are 80 basis points or 0.80%, annually.

Each level of service has a minimum annual fee as follows:

Investment Advisory Only: \$6,000

Investment Advisory with Distribution Planning: \$7,500  
Investment Advisory and Personal Financial Planning \$10,500

Client's participating in this program will be also most often be participating in the Unified Managed Account Program (UMA). A complete description of the fees and how they are charged for the UMA Program is located in the section below titled **Fees for participation in Unified Managed Account Program (UMA)**.

Fees are billed quarterly, in advance, and are prorated if the advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and withdrawals from a client's portfolio are prorated for the quarter in which the change occurs. The fee is debited from the client's account by the custodian at the beginning of each quarter based upon the value of assets at the end of the most recent quarter. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

#### **Start Up Program**

Initial financial plan preparation fees will vary depending on the needs of the client and the overall complexity of the client's individual situation. The initial fee ranges from \$8,000 to \$9,000. A 50% deposit is due upon execution of a letter of engagement. The remaining balance is due and payable at the initial meeting with CWA. Our fee will be earned on a pro-rata basis from the date of the engagement letter based on the work performed. The term includes services for a period up to twelve months from engagement. Should the client terminate our services prior to his or her consult; any unearned fee will be refunded. A calculation of the refund amount will be provided.

Client's on-going business and personal financial planning relationship will begin on the first day of the month following the twelve month follow up period. In exchange for these ongoing services and updates, and for a year end annual consult, CWA will charge an annual fee of \$10,500 (the "**Annual Fee**"), payable in monthly payments of \$875 or quarterly (\$2,625 per quarter) installments. Payments may be made by check or credit card. There may be cases where the fee may be in excess of \$10,500 due to complexity of client's issues. There may be special circumstances where an hourly fee may be charged. This will be discussed with the client prior to billing.

#### **Resident Program**

The fee for the Resident Program will be \$100.00 per month (total \$1,200.00 annually) billed at the first of each month in advance. Payment will be accepted by authorized credit card only. Fees are considered earned as billed monthly.

#### **Pooled Investment Program through an affiliated National Bank**

Client accounts invested in the pooled investment program will be charged by the bank, an annual fee of 0.65%, based upon the total value of the assets committed to the pooled investment program (including cash allocation). Such fees will be billed monthly, in arrears, based on that month's average daily balance and will be adjusted for significant contributions or withdrawals. The bank will pay a portion of this fee to Tectonic Advisors, (an affiliate of both the bank and CWA), and the qualified custodians engaged to provide services in the pooled investment program. Such payments are paid from the 0.65% fee. *(See Other Financial Industry Activities and Affiliations for additional information regarding conflicts)* The 0.65% fee does not include fees paid at the fund level to investment managers and other

investment services. In addition, mutual funds, closed end funds, and exchange traded funds also impose internal fees and expenses. Such fees and expenses will also be reflected at the fund level and are in addition to the annual trust fee. The total fees paid will vary by model. Additional charges can also include charges specific to the client and/or account such as wire fees and other account service fees.

**Fees for Participation in the Unified Managed Account Program (UMA) are as follows:**

With respect to the UMA Platform, clients will be charged the following fees: an overlay management fee payable to Tectonic Advisors, LLC ("Tectonic"), an advisory fee payable to CWA, and an asset-based fee (not based on the number of transactions in the client's account) payable to TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") for custody and execution services.

For clients who have engaged CWA for both business and personal financial planning, CWA receives a fee of 20 basis points, or 0.20% from UMA accounts. (Alternative fees for UMA: 45 basis points, or .45% for High Net Worth Program). The custodian holding the client's account deducts this fee at the instruction of Tectonic, and then forwards it to CWA.

Tectonic Advisors, an affiliate of CWA, in addition to providing due diligence services to CWA, also serves as a manager. Tectonic Advisors will receive a 35 basis point fee for assets allocated to the UMA program. The 35 basis points is in addition to the 20 basis points that CWA receives.

Additional fees will be deducted in the course of servicing the account. Such fees include a fee of 10 basis points to TD Ameritrade, and additional fees charged by Model Providers. If the client elects the tax overlay management services, there will be an additional fee of 10 basis points. The exact fee paid by the client will be clearly set forth in the Statement of Investment Selection and the Unified Managed Account Program Agreement entered into by CWA, Tectonic and the client.

The UMA Program Fee will be debited from the Client's Accounts on a quarterly basis in arrears. The fee is debited from the client's account by the custodian at the end of each quarter based upon the average daily balance of the account. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

There may be additional fund fees for mutual funds and ETFs, depending on the model chosen. These fees are deducted at the mutual fund level or ETF level and are not directly invoiced to client accounts. They do, however, represent an additional cost to the performance of the account. Detailed information on acquired funds fees in each model is available to the client so that they can assess their true economic expense for CWA UMA accounts.

**Fees for Participation in the MMA Program (Wrap Program) are as follows:**

With respect to the MMA Platform, clients will be charged a base fee of 64 (0.64%) basis points (non-negotiable) based on the value of assets in the account. CWA receives 38 basis points (.38% out of the 0.64%) for investment advisory services provided under the terms of the Statement of Investment Selection and Terms and Conditions that each client is required to execute to set up an MMA. Envestnet receives 20 of the 64 basis points for its fee. Fidelity Brokerage Services ("Fidelity") receives 6 basis points for custodial and clearing fees. Certain actively managed models also include a direct manager fee. For these actively managed models, the total Program Fee includes the base fee plus a direct manager fee. The total Program Fee can range from 64 to 101 basis points (.64% to 1.01%).

For pension accounts the CWA Advisory Fee is 20 basis points; lowering the base fee to 46 basis points.

CWA pays a fee to Tectonic Advisors for due diligence services, investment research regarding investment managers, ETF product recommendation and general oversight of Envestnet's responsibilities as overlay manager related to the MMA program.

Fees are billed quarterly, in advance, and are prorated if the advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and withdrawals from a client's portfolio are prorated for the quarter in which the change occurs. The fee is debited from the client's account by the custodian at the beginning of each quarter based upon the value of assets at the end of the most recent quarter. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

There may be additional fees to the client for wire transfers, special trades, etc. imposed by Fidelity as outlined in the Fidelity Account Application.

**Fees for Participation in the SMA Program are as follows:**

CWA offers two SMA programs for qualifying participants as described above. The custodians for these programs are Fidelity and TD Ameritrade. The platform provider and/or sub advisor are Envestnet and Beacon Pointe Wealth Advisors. The fees for participation in one of the two SMA programs are as follows: Custodian fees range from 6 to 10 basis points, Direct Manager Fees range from 20 to 60 basis points, platform provider and/or sub advisor, as applicable, range from 15 to 20 basis points and CWA Advisory Fee is 38 basis points, or 0.38% (except .20% for pension).

If mutual funds are chosen to be included in a SMA, mutual fund acquired fees are deducted at the mutual fund level. They do, however, represent an additional cost to the performance of the account. Detailed information on acquired fund fees is available to clients so that they can assess their true economic expense.

Total fees for a SMA with individual managers only will range from 70 basis points to 124 basis points, depending on the manager chosen.

**Additional Disclosures**

Implicit in a decision to utilize the services of the T Bank Pooled Fund Program and the Participant Directed Program and the Funds, is a recommendation of T Bank, Tectonic Advisors, and indirectly, SMH. T Bank, Tectonic Advisors, and SMH are affiliates of CWA through common ownership and control and will provide services to your plan. Specifically, the owners of CWA also have an ownership interest in Tectonic Financial, Inc., a publically traded entity that owns T Bank, Tectonic Advisors and Sanders Morris Harris, LLC ("SMH"). CWA utilizes the services of Tectonic Advisors to conduct due diligence, research and model management. T Bank utilizes the services of Tectonic Advisors to recommend managers to T Bank's Trust Committee for consideration. T Bank utilizes the services of SMH, a brokerage firm, to execute trades in certain Funds. SMH receives commissions from the Funds for the transactions placed on behalf of the Funds. CWA owners receive additional indirect compensation in the form of a share of profits from these entities. The securities held by the Funds are managed by managers not affiliated with T Bank or Tectonic Advisors. Assets in the Funds are held by a third-party custodian, U.S. Bank, N.A.



CWA pays a contracted fee to Tectonic Advisors LLC, (Tectonic Advisors), an affiliate of CWA, for due diligence services, investment research regarding investment managers, mutual funds, ETF's product and investment model recommendations and general oversight of Providers to investment products or programs recommended by CWA to its clients. Additionally, CWA can recommend that clients include the Tectonic Advisors model portfolio in their UMA allocation. This recommendation presents a conflict of interest for CWA as Tectonic Advisors receives 35 basis points on the allocated assets. This creates an incentive for CWA to recommend Tectonic Advisors over other model portfolio advisors. In order to address this conflict, CWA has adopted a code of ethics that obliges all associated persons to; (i) deal fairly with all clients when making investment decisions; (ii) to uphold their fiduciary duty at all times; and (iii) to put the client's interest first. Clients are not required to use the services of any affiliated advisers recommended by CWA.

In situations where a CWA client is acting as a trustee under ERISA definitions for their pension plan and is an investor in Dental Community Financial Holdings, Ltd. ("DCFH"), the advisory fees paid by T Bank to Tectonic Advisors generated by those CWA client ERISA investments assets will not be paid by Tectonic Advisors to DCFH. A more detailed description of DCFH and the potential conflicts of interests are discussed in the (See Other Financial Industry Activities and Affiliations) section.

#### **Additional Fees and Expenses**

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

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

There may be other limited services not detailed above where financial planning and/or investment advisory services are provided that have the assets under management component to the fee charged. The AUM fee ranges from 10 to 30 basis points based on the total assets under management. Services provided and fee charged are detailed in the client engagement letter. These fees are in addition to other fees charged for a particular investment program or fixed fee for financial planning services.

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

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

### **Types of Clients - Item 7**

We provide fee-only personal financial counseling and investment advisory services to individuals, professional entities and trustees/plan sponsors of pension and profit sharing plans; all are involved either directly or indirectly with the healthcare profession.

We do not require an account minimum to retain our firm for advisory services. However, certain programs offered by our firm have their own account minimum requirements. For example, the SMA program has a minimum investment requirement of \$100,000.

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

As described under **Advisory Services** above, CWA offers Investment Management Services by referring clients to Pooled Investment, UMA, MMA, SMA, and Participant Directed programs. We will assist our clients in selecting an appropriate allocation and determining an investor profile. The investor profile and the entire financial planning process will help us recommend an asset allocation strategy.

Our affiliate, Tectonic Advisors provides a variety of financial management research services to us. All investment advice given to our clients shall be deemed to be investment advice rendered by us for the benefit of our clients. The financial management research services and due diligence includes but is not limited to the following:

- a. Asset allocation analysis;
- b. Research on investments and securities including alternative forms of investments (i.e. commodities or real estate, etc.);
- c. Due diligence research on investment, securities and asset management companies and managers;
- d. Periodic monitoring of investment, securities and asset management companies and managers;
- e. Assistance in selection of investment, securities and asset management companies and managers;
- f. Research on specific investments and securities in whatever form they may take;
- g. General research about investment, securities and asset allocation;
- h. Global investment services;
- i. Model portfolio

In addition, Tectonic Advisors will provide due diligence and ongoing monitoring of its affiliated bank, T Bank, N.A. (T Bank) for its Pooled Funds and other third-party providers utilized by Tectonic Advisors and/or CWA as applicable to ensure such providers meet certain minimum qualitative and quantitative standards adopted by Tectonic Advisors and/or CWA. This arrangement is described in further detail in Item 10 below.

The investment advice provided along with the strategies suggested by CWA will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, clients should fully understand the nature of the contractual relationship(s) into which they are entering and the extent of their exposure to risk. Certain investing strategies may not be suitable for many members of the public.

Clients should carefully consider whether the strategies employed will be appropriate for them in light of their experience, objectives, financial resources and other relevant circumstances.

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

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

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

**Credit Risk:** A Fund that invests in bonds and other fixed income securities is subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Futures and Options in Funds:** Funds may invest in options and futures on securities, indices and interest rates for the purpose of efficient portfolio management. Also, Funds may invest in futures, options or forward foreign exchange contracts to hedge market and currency risks. Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Sector Risk:** Funds which concentrate their portfolio in a specific sector may carry a higher degree of risk due to lower diversification and sector-specific risks. Because these investments are limited to a relatively narrow segment of the economy, the Funds' investments are not as diversified as most funds.

This means that these Funds tend to be more volatile than other funds and their portfolio values can increase or decrease more rapidly. The performance of each Fund may differ in direction and degree from that of the overall stock market.

**Small Capitalization:** Funds which include smaller capitalization companies, may involve greater risk than Funds investing in larger, more established companies. For example, small capitalization companies may have limited product lines, markets and financial or managerial resources. As a result, price movements in securities of smaller capitalization companies may be more volatile. Transaction costs in securities of smaller capitalization companies can be higher than those of larger capitalization companies and there may be less liquidity.

**Non-Investment Grade Debt:** Credit risk is more pronounced for investments in fixed-income securities that are rated below Investment Grade or which are of comparable quality. The risk of default may be greater and the market for these securities may be less active, making it more difficult to sell the securities at reasonable prices, and also making valuation of the securities more difficult. A Fund may incur additional expenses if an issuer defaults and the Fund tries to recover some of its losses in bankruptcy or other similar proceedings.

#### **Disciplinary Information - Item 9**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' evaluation of CWA or the integrity of CWA's management. There is no history of reportable legal or disciplinary events by CWA, our principals or advisory representatives.

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

CWA is also a Certified Public Accountancy firm and as such offers accounting and tax services to clients. It is expected that clients for whom accounting and tax services are offered are also financial planning and advisory clients. The fees for accounting and tax services are separate and distinct from the fees charged for financial planning and advisory services. CWA anticipates that of the total revenue of the firm, 10% involves accounting services, 19% involves tax services, and 5% involves other non-advisory services.

Each of the owners of CWA has an ownership interest in Tectonic Financial, Inc., a publicly traded entity that owns the following financial industry affiliates:

- Tectonic Advisors, LLC
- HWG Insurance Agency, LLC
- Sanders Morris Harris, LLC
- T Bank, N.A.

Said individuals receive additional indirect compensation in the form of a share of profits from these entities. In order to address this conflict of interest, CWA has adopted a code of ethics that obliges all associated persons to; (i) deal fairly with all clients when making investment decisions; (ii) to uphold their fiduciary duty at all times; and (iii) to put the client's interest first. Clients are not required to use

the services of any affiliated advisers recommended by CWA. We have provided further detail about these affiliates in the below paragraphs.

CWA is affiliated with, T Bank, N.A., a national bank, ("T Bank") through common control and ownership. Specifically, the owner partners of CWA have an ownership interest in Tectonic Financial, Inc, which owns T Bancshares, the entity that owns T Bank. Although CWA believes T Bank to be an appropriate and suitable provider of trust services, please be advised that recommendations by CWA, their affiliates, officers, directors and employees to clients concerning T Bank and the pooled investment program may be regarded as a conflict of interest, by virtue of their ownership in T Bank. In addition, one of the members of CWA's Investment Committee receives commissions in connection with trades executed on behalf of certain Pooled Funds recommended by CWA to its clients. CWA has performed appropriate due diligence of T Bank Trust services, including comparison pricing and has concluded that T Bank provides quality services and competitive pricing.

Another service offered by T Bank is pension administration. Such services are offered under the name The Nolan Company. CWA expects that clients to whom it offers advisory services may receive pension administration services from The Nolan Company. Clients are instructed that the fees paid to CWA for advisory services are separate and distinct from the compensation earned by The Nolan Company for pension administration services. Clients to whom the firm offers advisory services are informed that they are under no obligation to use The Nolan Company for pension administration services and may use the pension administration service of their choice.

Tectonic Advisors, LLC ("Tectonic Advisors") is a SEC registered investment adviser that has been contracted by T Bank to provide certain investment advisory services to T Bank. Specifically, a material part of Tectonic Advisors' business is to serve as lead investment advisor to the Pooled Funds (Pooled Investment Program), and with respect to certain of such Pooled Funds, to also serve as manager. Implicit in a CWA recommendation of T Bank is a recommendation of Tectonic Advisors. This presents a conflict in that CWA has an incentive to recommend the pooled fund program over an alternative. In addition, this represents a conflict in that a recommendation of T Bank may be regarded as being influenced by the affiliate relationship between Tectonic Advisors and CWA, and the contractual relationship between T Bank and Tectonic Advisors. To mitigate these conflicts, in addition to the firm's code of ethics policies, CWA has adopted a Compliance and Conflicts Committee to review and resolve potential conflicts.

Additionally, CWA can recommend clients include the Tectonic Advisors model portfolio in their UMA allocation. This recommendation presents a conflict of interest for CWA as Tectonic Advisors receives 35 basis points on the allocated assets. This creates an incentive for CWA to recommend Tectonic Advisors over other model portfolio advisors. To mitigate this conflict, in addition to the firm's code of ethics policies, CWA has adopted a Compliance and Conflicts Committee to review and resolve potential conflicts.

HWG Insurance Agency, LLC ("HWG") is an insurance agency based in Houston, Texas. HWG's services are actively marketed to CWA clients and CWA expects that clients to whom it offers advisory services will purchase insurance products from HWG. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned for placing the client in insurance products. Clients to whom the firm offers advisory services are informed that they are under

no obligation to use HWG for insurance services and may use the insurance brokerage firm and agent of their choice.

Sanders Morris Harris, LLC ("SMH") is a dually registered broker dealer and investment adviser. T Bank utilizes the services of SMH to execute trades in certain Pooled Funds recommended to clients by CWA. SMH receives commissions for the transactions placed on behalf of the funds.

Mr. Cain, other managing members of CWA, CWA, or its related persons have an economic, management or other beneficial or contractual interest in several entities in which certain CWA clients are also investors. Mr. Cain and other managing members, employees, or other parties related to CWA may act in one or more of the following capacities in these entities, (i) managing members (ii) general partners, (iii) limited partners, (iv) service providers, or (v) investors of these partnerships or other ventures.

Other related entities for which Mr. Cain or other CWA employees have an economic interest include:

**Intranet Dental Community** –Provider of consulting, web-site and internet services primarily to Tectonic Advisors. Tectonic Advisors pays a fee to this entity for these services. Mr. Cain is a managing member and investor in this company and has an economic interest in the company.

**III to I Foundation, Inc.** – Charitable foundation offering seminars financial education and scholarships. Annual and lifetime membership fees from individual donations and registrations fees; approximately 20% of CWA clients are subscribers or donors.

**Dental Community Financial Holdings, Ltd (DCFH)** – Partnership formed to loan funds to or acquire equity or other financial interests in entities that will provide services to CWA clients. Special disclosure for advisory clients of CWA that were presented by DCFH an investment in this partnership: the above purpose was fulfilled and loans were made by DCFH to Tectonic Advisors for its operations. In May 2019, DCFH exchanged its note due from Tectonic Advisors for preferred units in Tectonic Holdings, the then parent company of Tectonic Advisors. Subsequently, Tectonic Holdings merged with Tectonic Financial, Inc. and consequently, DCFH now holds preferred units (Series A) in Tectonic Financial, Inc. Tectonic Financial, Inc. completed a public offering of preferred units (Series B) for the purpose of, among other things, repurchasing the Series A units from DCFH. It is important to understand that the ability of DCFH to provide a return to its investors, is conditioned upon sufficient assets being supervised by CWA. The ability to retain such a base of assets will be dependent upon the ongoing efficacy of CWA's investment advisory services platform, the ability of the investment managers, mutual funds, and exchange traded funds to generate adequate returns to keep client's assets from transferring elsewhere and the ability of CWA to attract and retain clientele. Clients should understand that in addition to the normal market risk associated with a securities investment in the pooled investment platform; those clients who invested in DCFH also depend upon client and third-party assets staying with CWA. Thus, such clients' losses can be compounded in an environment where investment losses cause net outflows from the CWA investment advisory services platform. In situations where a CWA client is acting as a trustee under ERISA definitions for their pension plan and is an investor in Dental Community Financial Holdings, Ltd. ("DCFH"), the advisory fees paid by T Bank to Tectonic Advisors generated by those CWA client ERISA investments assets, will not be paid by Tectonic Advisors to DCFH.

This investment was presented by DCFH to clients through a confidential private offering memorandum which included risk disclosures, and approximately 7.61% of clients are investors. DCFH is no longer accepting new investors. Investors in this partnership should understand that this investment is not liquid and liquidation cannot occur except as specified in offering memorandum.

Moreover, there is an inherent conflict in that the clients' ability to receive and sustain investment returns in DCFH may require the client to leave assets in the platform where there may be better investment alternatives available. In other words, if the client withdraws assets from the investment platform then it is possible that returns from an investment in DCFH may be negatively impacted. This conflict does not occur where a CWA client is defined as ERISA trustee for their firm's pension plan and is an investor in this partnership, as the related fees will not be paid by Tectonic Advisors to DCFH.

**Dental Community Holdings, Inc.** – General Partner of Dental Community Financial Holdings, Ltd. Mr. Cain does not receive an economic benefit from this entity. There is no CWA client investment in this entity.

**Best New Patients, LLC (BNP)** – BNP is in the business of assisting dentists in the marketing of dental services of their practice primarily by selling dental related items and marketing pieces for dentist to give to their patients. BNP is owned equally (9.09% each) by the eleven owners of CWA. Best New Patients primarily markets its services to clients of CWA. In addition, CWA Planners may refer CWA clients to BNP or to certain entities with which BNP has established a relationship. A conflict exists in that the Planners (which could include the CWA owners) have an incentive to refer a client to BNP rather than one of BNP competitor's and it is possible that such a competitor could provide services to CWA clients at the same or preferable cost.

**Elite Dental Alliance, LLC (EDA)** – EDA is a membership organization in the business of providing cost savings for members through volume and loyalty discounts on products and services. Membership is primarily marketing to dentists. EDA is owned equally (9.09%) by the eleven owners of CWA. Elite Dental Alliance primarily markets its services to clients of CWA. EDA receives its revenue primarily from membership fees and administrative fees from vendors. A conflict exists in that the Planners (which could include the CWA owners) have an incentive to refer a client for EDA membership rather than an EDA competitor and it is possible that such a competitor could provide services to CWA clients at the same or preferable cost.

**National Dental Placements, LLC (NDP)**-Formed in order to provide a variety of services related to the needs of dentists seeking to sell all or transition a portion of their practice. The major services provided by NDP include: placement (e.g., finding potential buyers for such practice sales); consulting services related to such practice sales; practice valuations; and sales of real estate in connection with practice sales. CWA may offer its services to clients of NDP, and CWA and NDP may at times share certain personnel. In addition, CWA Planners may refer CWA clients to NDP or to certain entities with which NDP has established a relationship, and in such cases, the Planners (which could include CWA owners) may receive a referral fee from NDP. These referral relationships may create a conflict in that the Planners would have an incentive to refer clients to NDP rather than one of NDP's competitors and it is possible that such a competitor could provide services to CWA clients at the same or preferable cost. CWA believes the services of NDP to be very competitive in price and quality. NDP is owned equally (9.09%) by the eleven owners of CWA. There is no CWA client investment in this entity.

Our affiliates are separately compensated if clients use their services. While we believe that the compensation charged by our affiliates is competitive, the fees charged may be higher than other firms that provide similar services. Clients are not required to use our affiliates' services and may contract with other providers.

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

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

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

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

A copy of CWA's Code of Ethics is available upon request to the Chief Compliance Officer at CWA's principal office address on the cover of this brochure.

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

Clients of CWA, may have been presented investment by partnerships or other ventures in which CWA, its related entities, related persons, and Mr. Cain or other managing members may act in one or more of the following capacities, (i) managing members, (ii) general partners, (iii) limited partners, (iv) service providers, or (v) investors of these partnerships and other ventures. However, CWA clients and prospective CWA clients should understand there is an inherent conflict of interest in that Mr. Cain, other managing members or employees of CWA, and its related persons may have an ownership, controlling, beneficial, or managerial interest in the aforementioned entities, and may provide services to these entities for which they may be compensated. In addition, CWA clients should understand there may be other investment alternatives available free of this conflict of interest. As such, careful consideration should be applied as to how such an investment compares against other investments of similar composition and risk, how such an investment fits with the client's overall investment strategy, investment policy statement, and asset allocation.

#### **Personal Trading Practices**

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



### **Brokerage Practices - Item 12**

For CWA's asset management programs, we recommend and request clients to implement trades and maintain custody of assets through discount brokers. Currently, we recommend the services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") for the UMA, SMA/MMA, and participant directed programs and the services of Fidelity Brokerage Services, LLC ("Fidelity") for the SMA and MMA Program. Fidelity and TD Ameritrade are members of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC") and the National Futures Association ("NFA").

Fidelity and TD Ameritrade offer independent investment advisers services, which include custody of client securities, trade execution, clearance and settlement of transactions, and daily research and investment information.

We are not affiliated with Fidelity or TD Ameritrade. Our Investment Adviser Representatives are not registered representatives of Fidelity or TD Ameritrade and do not receive commissions or other compensation from recommending these services.

CWA affiliate, Tectonic Advisors has been engaged by T Bank to act as their lead investment advisor for the collective investment funds used for qualified plan assets and the common trust funds maintained for their personal trust assets (the "Funds"), and with respect to certain of such Pooled Funds, to also serve as manager. This arrangement is described in further detail in Item 10 above.

Each fund is either managed by one or more independent, third party money managers, invested in mutual funds, or managed by affiliate advisor, Tectonic Advisors. Decisions related to the purchase and sale of securities are made by the individual money managers or mutual funds. In the case of the funds that are managed by Tectonic Advisors, Tectonic will direct T Bank to utilize the services of affiliate broker dealer, SMH to execute trades in these Pooled Funds recommended to clients by CWA. SMH receives commissions for the transactions placed on behalf of the funds. This arrangement is described in further detail in Item 10 above.

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

CWA does not receive soft dollar compensation.

#### **Best Execution**

In recommending a broker dealer, CWA will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered.

**Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for client referrals.

**Review of Accounts - Item 13**

Clients that have signed up for ongoing services are typically provided with periodic reviews of their investment accounts and a review of the overall financial objectives and situation. Annual reviews are held in CWA's office with clients for a complete review of their financial situation. Other items that may trigger a more frequent review of the client portfolios are changes in cyclical or market conditions and sudden changes in the client's financial situation. Each client is assigned a financial planning team, headed by an adviser that oversees the preparation of all reports, performs specific client reviews and is the primary contact with the client.

The reviews described above are conducted by the CWA financial planner/investment adviser representative assigned to the client. The financial planner/investment adviser representative is subject to the supervision by the Partner in Charge of Operations and the general authority of the Chief Compliance officer. Reviewers also are responsible for ensuring that any significant change in a client's investment strategy or concentration of a client's assets in a speculative or risky asset class is appropriate for and has been reviewed with the client.

Clients are provided an annual performance review of their accounts at the time of the annual on-going business and personal financial planning meeting. Custodians for the assets provide monthly and/or quarterly statements directly to the client.

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

CWA does not receive economic benefits from unaffiliated third parties for providing investment advice or other advisory services to clients. CWA, through its related persons and entities, indirectly participate in client referral arrangements. The conflicts of interest and specifics of these arrangements are fully described in Item 10 & 11.

Associated Persons of CWA are eligible to receive a bonus payment for each prospect or client referred to CWA or its affiliated entities by client's serviced by the Associated Person.

**Custody - Item 15**

CWA is deemed to have custody of client funds because T Bank, an affiliated party, acts as a qualified custodian for certain client accounts. Fund assets are held in custody with the following T Bank approved Custodian: US Bank

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's account assets. CWA urges the client to carefully review these statements.

As a condition of participating in Envestnet's Multiple Manager Account ("MMA") or the Separately Managed Account ("SMA") investment programs, clients will be required to use Fidelity Brokerage Services ("FBS") for trade execution and custodial services. As a condition of participating in the Unified Managed Account ("UMA") Platform, clients will be required to use TD Ameritrade for trade execution and custodial services. However, there is no guarantee that these custodians provide the best value or is the low cost solution.

Related persons to CWA act as General Partners to III to I Maritime Partners Cayman I, LP, III to I Emerging Market Partners Real Estate Investment Fund I, LP and Dental Community Financial Holdings, Ltd.; CWA could be deemed to have custody over these partnerships because of the relationship between CWA and the General Partners to the partnerships.

#### **Investment Discretion - Item 16**

CWA provides portfolio management services to its advisory clients on both a discretionary and a non-discretionary basis. Please see Item 4, Advisory Services for a full description of CWA's services.

#### **Voting Client Securities - Item 17**

##### **Proxy Voting**

CWA does not exercise the authority to vote proxies on behalf of client securities.

#### **Financial Information - Item 18**

CWA does not have reportable financial disclosures in which CWA's financial condition would impair CWA's ability to meet contractual commitments to clients.

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

**This section is intentionally left blank- Our firm is SEC registered.**

#### **Miscellaneous**

##### *Privacy Policies*

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

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

Additionally, CWA may share nonpublic personal information about its customers or former customers with its affiliates for marketing purposes. This practice is disclosed in the firm's privacy notice and clients have the ability to opt out of this practice by providing written notice to the firm.

CWA restricts internal access to nonpublic personal information about clients to those employees or investment advisory representatives who need access to that information in order to provide services to the client.

A copy of CWA's privacy policy notice will be provided to each client prior to, or at the time the advisory agreement is executed. Thereafter, CWA will deliver a copy of the current privacy policy notice to its clients on an annual basis. Clients who have questions about this policy, may contact us at the phone number listed on the cover of this brochure.

## **Cain, Watters & Associates, LLC**

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**March 21, 2021**

### **Form ADV Part 2A, Appendix 1 Wrap Fee Program Brochure**

Cain, Watters & Associates, LLC is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This Wrap Fee program brochure provides information about the qualifications and business practices of Cain, Watters & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at (972) 233-3323. 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 Cain, Watters & Associates, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the last annual amendment submitted March 2020.

We review and update our brochure at least annually to make sure that it remains current. If you would like to receive a copy of the most recent version of our ADV Part 2 Brochure, please call us at (972) 233-3323.

**Table of Contents - Item 3**

**Contents**

<u>Material Changes - Item 2</u> .....	29
<u>Table of Contents - Item 3</u> .....	30
<u>Services, Fees and Compensation - Item 4</u> .....	31
<u>Account Requirements and Types of Clients - Item 5</u> .....	33
<u>Portfolio Manager Selection and Evaluation - Item 6</u> .....	33
<u>Client Information Provided to Portfolio Managers - Item 7</u> .....	34
<u>Client Contact with Portfolio Managers - Item 8</u> .....	35
<u>Additional Information - Item 9</u> .....	35
<u>Requirements for State-Registered Advisors - Item 10</u> .....	38
<u>Miscellaneous</u> .....	38

#### **Services, Fees and Compensation - Item 4**

Cain, Watters & Associates, LLC (hereinafter "CWA") co-sponsors a Wrap Fee program with Envestnet Asset Management, Inc. ("Envestnet"), a federally registered investment adviser and overlay manager to the Multiple Manager Account ("MMA") Program. Client accounts pay a single fee that includes portfolio management services, custodial services and the transaction/commission costs.

The MMAs are comprised of asset allocation models jointly created by Envestnet and CWA and ultimately approved by Envestnet. Envestnet offers client's access to a diversified suite of professional money managers to manage different components of a client's targeted asset allocation based upon the client's financial circumstances, goals and investment objectives.

MMAs at CWA are single accounts in which a client will have multiple managers and asset classes. Depending on a variety of factors, including but not limited to client risk tolerance and client asset size, an MMA account could include one or more equity money managers. The rest of the MMA will be invested with mutual funds and exchange traded funds (ETFs). The resulting portfolio will be a mixture of individual equities, ETFs, and mutual funds, and will represent a complete asset allocation for the client based upon their risk tolerance and investment needs.

The transactions in Client accounts will be executed by Fidelity Brokerage Services ("Fidelity") which will also receive a portion of the fee for trade execution expenses. CWA is responsible for client investment advice and communications, suitability analysis, and required disclosures to the client. CWA has contracted with Tectonic Advisors, LLC ("Tectonic Advisors") to provide due diligence services and recommend managers from Envestnet's group of money managers.

The terms and conditions under which a Client participates in CWA's wrap fee program will be set forth in a written agreement between the Client and CWA. The overall cost incurred from participation in our wrap fee program may be higher or lower than if the services were purchased separately from other advisers.

The wrap fee accounts are managed by Envestnet on a discretionary basis (that is, Envestnet does not obtain the Client's approval for each transaction) and are based on a long-term investment strategy. Clients may place reasonable restrictions on portfolio holdings by setting a limit on the type of securities that can be purchased for the account. All restrictions must be provided in writing.

Investments and allocations are determined and based upon the Clients predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors. Further restrictions and guidelines imposed by Clients may affect the composition and performance of a Client's portfolio. For these reasons, performance of the portfolio may not be identical with the average Client of CWA. On an ongoing basis, CWA reviews the Client's financial circumstances and investment objectives and makes any adjustments to the Client's portfolio as may be necessary to achieve the desired results.

#### **Program Fee**

MMA accounts will be charged a base fee of 64 (0.64%) basis points (non-negotiable) based on the value of assets in the account. CWA receives 38 basis points (.38% out of the 0.64%) for investment advisory services provided under the terms of the Statement of Investment Selection and Terms and Conditions



that each client is required to execute to set up an MMA. Envestnet receives 20 of the 64 basis points for its fee. Fidelity Brokerage Services ("Fidelity") receives 6 basis points for custodial and clearing fees. Certain actively managed models also include a direct manager fee. For these actively managed models, the total Program Fee includes the base fee plus a direct manager fee. The total Program Fee can range from 64 to 101 basis points (.64% to 1.01%).

For pension accounts, the CWA Advisory Fee is 20 basis points; lowering the base fee to 46 basis points.

CWA pays a fee to Tectonic Advisors, LLC (Tectonic Advisors), an affiliate of CWA, for due diligence services, investment research regarding investment managers, ETF product recommendation and general oversight of Envestnet's responsibilities as overlay manager related to the MMA program.

Fees are billed quarterly, in advance, and are prorated if the advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and withdrawals from a client's portfolio are prorated for the quarter in which the change occurs. The fee is debited from the client's account by the custodian at the beginning of each quarter based upon the value of assets at the end of the most recent quarter. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

There may be additional fees to the client for wire transfers, special trades, etc. imposed by Fidelity as outlined in the Fidelity Account Application.

In determining whether to establish a Program account, a Client should be aware that the overall cost to the Client of the Program may be higher or lower than the Client might incur by purchasing separately the types of securities available in the Program. In order to compare the cost of the Program with unbundled services, the Client should consider the turnover rate in CWA's investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at Fidelity, or at other broker-dealers and investment advisers.

#### **Additional Fees and Expenses**

The fees are charged as described above and are not based on a share of capital gains of the funds of an advisory Client.

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

There may be other costs assessed, which are not included in the Program Fee, such as national securities exchange fees; charges for transactions with respect to assets not executed through the custodian, costs associated with exchanging currencies; wire transfer fees; or other fees required by law.

#### **Termination**

The agreement between CWA and the Client will continue in effect until either party terminates in accordance with the terms of the agreement. CWA's fee will be pro-rated through the date of termination. In the event there are any prepaid unearned fees, CWA will return a pro rata share to the Client.

Upon termination of accounts held at Fidelity, Fidelity delivers securities and funds held in the account as instructed by Client, unless Client requests that the account be liquidated. After the Agreement has been terminated, transactions are processed at the prevailing brokerage rates. Client becomes responsible for monitoring their own assets and CWA has no further obligation to act or provide advice with respect to those assets.

#### **Account Requirements and Types of Clients - Item 5**

Within each MMA model, the allocation directed to a particular asset class is implemented in one of two ways. Generally, if the account size is less than \$250,000, the account will be generally invested in exchange traded funds (ETFs), related to the specific asset class. The minimum investment for an MMA is \$4,000, which will be invested solely in ETFs.

If the account is in excess of \$250,000, the account may be invested in individual securities owned by the client based on model portfolios supplied by the portfolio managers and allocated to these model portfolios based on a predetermined allocation for a given MMA objective. For most options selected, multiple managers are used (i.e., one for each asset class) or are combined with ETFs.

Investnet facilitates the process by combining the manager's security selection through their portfolio accounting system. The accounts are traded by Investnet.

The types of clients that generally invest in the MMA program are individuals, pension and trusts.

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

Investnet employs a multi-phase approach to researching and selecting managers suitable for participation in the MMA program. Managers are evaluated using data and information from the respective investment manager and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the manager(s) Form ADV Part 2A, as well as portfolio holdings report that help demonstrate the manager's security selection process.

Ongoing monitoring consists of informal intra-quarter analysis and formal analysis on a quarterly basis which is supplemented by an annual on-site manager interview conducted by Investnet. Aspects considered during the screening and selection process are reconsidered during the ongoing monitoring phase as well as any material changes that may occur between formal quarterly and annual evaluations.

Any new material change or negative trend in portfolio characteristics that is inconsistent with historical results and original hiring rationale for an investment manager may be cause for termination and replacement.

In conjunction with Envestnet's due diligence, CWA has contracted with Tectonic Advisors to provide a parallel due diligence effort on an ad-hoc basis. Tectonic Advisors' approach is based on substantially similar data gathering and manager interview process as used by Envestnet in order to evaluate Envestnet's due diligence and to obtain information first hand regarding specific investment managers. While Envestnet's due diligence and Tectonic Advisors' due diligence may result in separate approved manager lists ("Approved Managers"), CWA's approved manager list is a subset of Envestnet's approved manager list. CWA's approved manager list serves as a source of investment managers available for use in the MMA program.

#### **Performance Data**

There are two levels of performance reporting and evaluation: (1) on a monthly basis, Envestnet provides CWA composite performance of all CWA MMA models, as well as individual manager performance within the models. The returns of the individual managers include the reinvestment of interest and dividends and are gross of fees (return on assets less direct trading expenses). Composite performance is not presented to individual clients. (2) CWA clients have access to their MMA through a secure website to review their accounts (net of fees). On a quarterly basis, performance reports detailing the performance of each manager and the account overall are made available by Envestnet.

Returns are believed to be accurate and calculated uniformly, but neither CWA nor Tectonic Advisors has independently calculated or verified the performance. Each manager's performance is compared to an index that has been determined by Tectonic Advisors to be the most appropriate benchmark.

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

CWA and its Associated Persons provide information about our Clients to third parties involved in the management or servicing of the MMA accounts.

#### **Confidentiality**

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

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

CWA restricts internal access to nonpublic personal information about its Clients to those employees who need to know that information in order to provide products or services to the Client. CWA maintains physical and procedural safeguards that comply with state and federal standards to guard a Client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the Firm's policy never to sell information about current or

former customers or their accounts to anyone. It is also the Firm's policy not to share information unless required to process a transaction, at the request of the Client, or as required by law.

A copy of the Firm's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, the Firm will deliver a copy of the current privacy policy notice to its Clients on an annual basis. If you have any questions on this policy, please contact us.

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

Clients are free to contact us at any time. Client's primary contact regarding questions about the Program is their financial planning team. Clients may contact them at (972) 233-3323.

We do not restrict client contact with the other entities that are involved in the management of our client accounts.

#### **Additional Information - Item 9**

##### **Disciplinary Information**

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

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

CWA is also a Certified Public Accountancy firm and as such offers accounting and tax services to clients. It is expected that clients for whom accounting and tax services are offered are also financial planning and advisory clients. The fees for accounting and tax services are separate and distinct from the fees charged for financial planning and advisory services. CWA anticipates that of the total revenue of the firm 10% involves accounting services, 19% involves tax services, and 5% involves other non-advisory services.

CWA is affiliated with, T Bank, N.A., a national bank, ("T Bank") through common control and ownership. Specifically, the owner partners of CWA have an ownership interest in T Bank. Although CWA believes T Bank to be an appropriate and suitable provider of trust services, please be advised that recommendations by CWA, their affiliates, officers, directors and employees to clients concerning T Bank and the pooled investment program may be regarded as a conflict of interest, by virtue of their ownership in T Bank. In addition, one of the members of CWA's Investment Committee receives commissions in connection with trades executed on behalf of certain Pooled Funds recommended by CWA to its clients. CWA has performed appropriate due diligence of T Bank Trust services, including comparison pricing and has concluded that T Bank provides quality services and competitive pricing.

Another service offered by T Bank is pension administration. Such services are offered under the name The Nolan Company. CWA expects that clients to whom it offers advisory services may receive pension administration services from The Nolan Company. Clients are instructed that the fees paid to CWA for advisory services are separate and distinct from the compensation earned by The Nolan Company for pension administration services. Clients to whom the firm offers advisory services are informed that

they are under no obligation to use The Nolan Company for pension administration services and may use the pension administration service of their choice.

Each of the owners of CWA has an ownership interest in Tectonic Financial, Inc., a publicly traded entity that owns the following financial industry affiliates:

- Tectonic Advisors, LLC
- HWG Insurance Agency, LLC
- Sanders Morris Harris, LLC
- T Bank, N.A.

Such individuals receive additional indirect compensation in the form of a share of profits from these entities. In order to address this conflict, CWA has adopted a code of ethics that obliges all associated persons to; (i) deal fairly with all clients when making investment decisions; (ii) to uphold their fiduciary duty at all times; and (iii) to put the client's interest first. Clients are not required to use the services of any affiliated advisers recommended by CWA. We have provided further detail about these affiliates in the below paragraphs.

Tectonic Advisors, LLC ("Tectonic Advisors") is a SEC registered investment adviser that has been contracted by T Bank to provide certain investment advisory services to T Bank. Specifically, a material part of Tectonic Advisors' business is to serve as lead investment advisor to the Pooled Funds (Pooled Investment Program), and with respect to certain of such Pooled Funds, to also serve as manager. Implicit in a CWA recommendation of T Bank is a recommendation of Tectonic Advisors. This presents a conflict in that CWA may have an incentive to recommend the pooled fund program over an alternative. In addition, this represents a conflict in that a recommendation of T Bank may be regarded as being influenced by the affiliate relationship between Tectonic Advisors and CWA, and the contractual relationship between T Bank and Tectonic Advisors. To mitigate these conflicts, in addition to the firm's code of ethics policies, CWA has adopted a Compliance and Conflicts Committee to review and resolve potential conflicts.

Additionally, CWA can recommend clients include the Tectonic Advisors model portfolio in their UMA allocation. This recommendation presents a conflict of interest for CWA as Tectonic Advisors receives 35 basis points on the allocated assets. This creates an incentive for CWA to recommend Tectonic Advisors over other model portfolio advisors.

HWG Insurance Agency, LLC ("HWG") is an insurance agency based in Houston, Texas. HWG's services are actively marketed to CWA clients and CWA expects that clients to whom it offers advisory services will purchase insurance products from HWG. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned for placing the client in insurance products. Clients to whom the firm offers advisory services are informed that they are under no obligation to use HWG for insurance services and may use the insurance brokerage firm and agent of their choice.

Sanders Morris Harris, LLC ("SMH") is a dually registered broker dealer and investment adviser. T Bank utilizes the services of SMH to execute trades in certain Pooled Funds recommended to clients by CWA. SMH receives commissions for the transactions placed on behalf of the funds.

Mr. Cain, other managing members of CWA, CWA, or its related persons have an economic, management or other beneficial or contractual interest in several entities in which certain CWA clients are also investors. Mr. Cain and other managing members, employees, or other parties related to CWA may act in one or more of the following capacities in these entities, (i) managing members (ii) general partners, (iii) limited partners, (iv) service providers, or (v) investors of these partnerships or other ventures.

Please see ADV Part 2A attached to this Appendix for additional information regarding other related entities for which Mr. Cain or other CWA employees have an economic interest.

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

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

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

A copy of CWA's Code of Ethics is available upon request to the Chief Compliance Officer at CWA's principal office address on the cover of this brochure.

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

Clients of CWA, may be presented investment by partnerships or other ventures in which CWA, its related entities, related persons, and Mr. Cain or other managing members may act in one or more of the following capacities, (i) managing members, (ii) general partners, (iii) limited partners, (iv) service providers, or (v) investors of these partnerships and other ventures. However, CWA clients and prospective CWA clients should understand there is an inherent conflict of interest in that Mr. Cain, other managing members or employees of CWA, and its related persons may have an ownership, controlling, beneficial, or managerial interest in the aforementioned entities, and may provide services to these entities for which they may be compensated. In addition, CWA clients should understand there may be other investment alternatives available free of this conflict of interest. As such, careful consideration should be applied as to how such an investment compares against other investments of similar composition and risk, how such an investment fits with the client's overall investment strategy, investment policy statement, and asset allocation.

#### **Personal Trading Practices**

At times CWA and/or its Associated Persons may take positions in the same securities as clients, which may pose a conflict of interest with clients. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading.

Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### **Review of Accounts**

Clients that have signed up for ongoing services are typically provided with periodic reviews of their investment accounts and a review of the overall financial objectives and situation. Annual reviews are held in CWA's office with clients for a complete review of their financial situation. Other items that may trigger a more frequent review of the client portfolios are changes in cyclical or market conditions and sudden changes in the client's financial situation. Each client is assigned a financial planning team, headed by an adviser that oversees the preparation of all reports, performs specific client reviews and is the primary contact with the client.

The reviews described above are conducted by the CWA financial planner/investment adviser representative assigned to the client. The financial planner/investment adviser representative is subject to the supervision by the Partner in Charge of Operations and the general authority of the Chief Compliance officer. Reviewers also are responsible for ensuring that any significant change in a client's investment strategy or concentration of a client's assets in a speculative or risky asset class is appropriate for and has been reviewed with the client.

Clients are provided an annual performance review of each of their accounts at the time of the annual meeting. Custodians for the assets provide quarterly statements directly to the client. More frequent reports may be requested by the client.

### **Client Referrals and Other Compensation**

CWA does not receive economic benefits from unaffiliated third parties for providing investment advice or other advisory services to clients. CWA, through its related persons and entities, indirectly participate in client referral arrangements. The conflicts of interest and specifics of these arrangements are fully described in Item 10 & 11.

### **Financial Information**

CWA does not have reportable financial disclosures in which CWA's financial condition would impair CWA's ability to meet contractual commitments to clients.

### **Requirements for State-Registered Advisors - Item 10**

**This section is intentionally left blank- Our Firm is SEC registered.**

### **Miscellaneous**

#### **Class Action Lawsuits**

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. CWA has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have

been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by Clients.

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