

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

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**March 31, 2023**

## **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 31, 2022.

On March 31, 2023, we submitted our annual updating amendment filing for fiscal year 2023. As part of that filing, we updated Items 4, 5, 10, and 14 of our Form ADV Part 2 Brochure to provide a more streamlined explanation of services and associated fees. We also amended Items 5, 12 and 14 to provide additional disclosures regarding the recommendation of affiliated entities and disclosed conflicts of interest. Clients are urged to read this Form ADV part 2 Brochure in its entirety to fully understand the scope of our services, associated fees, affiliations, investment methodologies and conflicts of interest.

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.

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

Cain, Watters & Associates, LLC ("CWA") is a registered investment advisor based in Frisco, 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 broad based financial planning services geared toward dental healthcare professionals. CWA teaches a philosophy of consistently investing money for the long term. Currently, CWA provides various financial planning, retirement planning and investment management services. Each investment advisory service is listed below. 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**

This broad-based planning process begins by executing the CWA Financial Planning & Basic ERISA Plan Services Agreement and preparing the client for a one-day meeting at our office located in Frisco, Texas. The initial consultation meeting is structured to assess the client's objectives and financial status both personally and professionally. Together with the client, we formulate a plan which includes initial goal setting and various Business Planning, Basic Retirement Planning and Personal Financial Planning services. Financial Planning clients have the opportunity to participate in the various investment programs recommended by CWA for a reduced fee. These programs and associated fees are described in further detail below. Participation in these investment programs may require the execution of an additional investment agreement which will provide further details regarding fees and services.

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**

Business Planning services include:

- Tax planning strategies;
- Corporate entity structure;
- Design of efficient pension plan;
- Planning for practice expansion, transition, or the addition of a possible associate;
- Production analysis and goal setting;
- Practice overhead & profitability;
- Practice breakeven analysis; and
- Efficient debt structure.

#### **Basic Retirement Planning**

If client is a trustee or sponsor to a retirement plan, and so chooses, CWA will advise the Trustee and/or sponsor, by conferring periodically, no less than annually, or as often as requested, regarding the following services:

- Review of the Plan design and, if needed, provide recommendations on changes to design of the Plan;
- Review of the overall allocation of investments and assets of the Plan;
- CWA will make recommendations on estimated annual funding to the Plan;
- On request, CWA will help plan timing of distributions to retired participants of the Plan; and
- CWA can act as liaison between the Plan's attorneys and third-party pension administrator.

### Personal Planning

Personal Financial Planning services include:

- Income tax planning;
- Planning and goals for retirement;
- Educational savings for children;
- Investment portfolio analysis;
- Management of dental school debt;
- Insurance coverage;
- Asset allocation; and
- Estate planning review.

### Special Project Work:

Some clients may need additional special project work above and beyond the scope of services covered in the Financial Planning & Basic ERISA Plan Services Agreement. Such clients will be presented with an estimate of the scope of work and additional cost and will sign an addendum to their Services Agreement.

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

In addition to the Basic Retirement Planning services described in the Financial Planning section above, CWA will provide additional services which are more global in nature to both trustee directed and participant directed pension and retirement plans invested in CWA Recommended Investment Programs. These services are provided pursuant to the Global Plan Services Addendum to the Financial Planning & Basic ERISA Plan Services Agreement (for trustee directed plans) or the T Bank Participant Directed Program Agreement (for participant directed plans). 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.
- Construct and manage asset allocation models utilizing the investments options that were selected to be designated investment alternatives by the Plan's fiduciaries; and

- Make specific recommendations regarding the “qualified default investment alternative(s)” (“**QDIAs**”) to be made available under the Plan.

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

CWA represents that it is not subject to any disqualification as set forth in Section 411 under the Employee Retirement Income Security Act (“**ERISA**”). To the extent CWA performs Fiduciary Services, CWA is acting as a fiduciary of the Plan as defined in Section 3(21) or Section 3(38) under ERISA.

Note regarding participant directed plans: To the extent the Plan contains a self-directed brokerage account, our services (and fiduciary obligations) will not apply to such self-directed brokerage account and no services will be provided in connection with self-directed brokerage accounts.

#### **CWA Recommend Investment Programs**

CWA offers both discretionary and non-discretionary investment management 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 Investment Programs:

- Pooled Investment Program through an affiliated National Bank (Participant and Trustee Directed)
- Unified Managed Account Platform for Individuals, Trusts, Retirement Plans, Corporations, Partnerships and other Legal entities (“**UMA**”)
- Multiple Manager Account Program for Individuals, Trusts, Retirement Plans, Corporations, Partnerships and other Legal entities (“**MMA**”)
- Separately Managed Account Programs (“**SMA**”)
- Donor Advised Fund Services

Each program is described in further detail below:

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

CWA offers its clients access to discretionary advisory services provided by its affiliated bank, T Bank, N.A. (T Bank) through the bank’s Collective Investment Funds (“**CIF**”). Investment advisory clients have the option to invest personal trust assets (i.e., non-retirement accounts, etc.) and qualified plan trust assets (i.e., 401Ks, etc.) in the T Bank CIFs. The bank’s Trust Department will act as trustee for personal asset accounts and custodian for qualified plan assets accounts established with the 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 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.

CWA provides clients with asset allocation models based on various investment objectives. The allocation models consist of varying allocations among the Collective Investment Funds made available under the Plan. Each Allocation Model seeks to balance risk and reward by apportioning the assets from conservative

to aggressive. In the case of participant directed plans, the participant may choose according to his or her own goals, risk tolerance and investment time horizon.

Currently, T Bank offers the following Collective Investment Funds:

- Core Fixed Income Fund
- Fixed Income ETF Fund
- Equity Fund
- Equity ETF Fund
- International Equity Fund
- Real Asset Fund

The bank offers all funds for qualified plan trust assets and the Core Fixed Income Fund and the Equity Fund for personal trust assets.

Each fund is managed by one or more managers or invested in mutual funds or exchange traded funds (ETFs). The investment managers are recommended to the bank by Tectonic Advisors, LLC (hereafter "Tectonic"), an affiliate of both T Bank and CWA (Tectonic and the Bank are commonly owned. *See Other Financial Industry Activities and Affiliations for additional information regarding conflicts*). T Bank has contracted Tectonic to act as lead investment advisor and has granted Tectonic 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.

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. 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 ("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. In some cases, Tectonic serves as one of the model providers available to CWA clients via the UMA Platform. (*Tectonic is affiliated with CWA. See Other Financial Industry Activities and Affiliations for additional information regarding conflicts of interest associated with the recommendation and use of affiliated adviser services.*) 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.

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, fixed income and/or alternatives space, that are run in a separate account or “sleeve.” The rest of the UMA will be invested with mutual funds and 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”). Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs. Clients should note that TD Ameritrade has waived transaction fees for many equities and investment company securities. However, TD Ameritrade still charges a separate transaction fee for certain securities, such as institutional class shares of mutual funds, non-US securities, etc.

CWA clients can allocate their assets among various 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 a client’s 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.

In most cases, the money manager will provide Tectonic with asset allocation models along with buy or sell signals and Tectonic will maintain the authority to execute trades. However, in some cases, the money manager will take discretionary authority to transact in the UMA account directly.

In addition to the diversified suite of portfolio models noted above, we offer two additional customizable options which are designed to accommodate specific needs of certain clients.

*O’Shaughnessy Asset Management, L.L.C.’s CANVAS® Program*

The CANVAS® platform is an interactive, web-based investment platform developed by O’Shaughnessy Asset Management, L.L.C. (“OSAM”) that permits CWA to devise a customized investment strategy or strategies (each a “Strategy”) for the client. The CANVAS® platform employs modeling techniques that specify the securities to be held in a portfolio that are consistent with the Strategy. The output from the CANVAS® platform will be employed by OSAM to implement the Strategy by causing securities to be



purchased and sold in the client's portfolio, so that the client's holdings will substantially match the model portfolio. These holdings will be periodically rebalanced by OSAM to remain consistent with the Strategy. CWA primarily uses CANVAS® to devise Tax loss harvesting strategies designed to reduce a client's tax bill by capturing investment losses and investing proceeds in similar securities, keeping accounts fully invested.

#### *Capital Integration Systems LLC*

UMA Platform clients may request that CWA and Tectonic consider certain investments offered on the Capital Integration Systems LLC ("CAIS") Alternative Investments Portal as potential investments for the client's UMA Account. *(Please see Item 8 below for information about risks associated with alternative investments.)*

In the event that CWA and Tectonic determine that one or more such investments may be appropriate for the client's UMA Account, the client will be provided a copy of such investment's offering documents, and CWA and Tectonic will assist the client in reviewing and completing such offering documents. However, neither CWA nor Tectonic will have discretionary authority to select any CAIS investment on behalf of a UMA client; rather, CWA and Tectonic will be authorized only to make recommendations regarding any such CAIS investment, and each such client will be solely responsible for the decision to invest in any CAIS investment. Please refer to important risk disclosures pertaining to alternative investments in Item 8 below.

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

*Important Note: As of January 2023, the wrap fee program is no longer offered to new clients. Existing clients are in the process of being transitioned out of the wrap fee program and into non-wrap portfolio management accounts. We expect this process to be completed by the end of 2023.*

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 Multiple Manager Account Program (MMA) 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, which are designed as our wrap fee program, 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 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.

Please refer to the CWA Form ADV Part 2A Appendix for further details of the CWA MMA Wrap Program.

#### **Separately Managed Account Program**

Certain of CWA's clients have opted to receive portfolio management services through the firm's Separately Managed Accounts Program ("SMA Program"). Currently our SMA Program is offered in conjunction with various investment managers, including Tectonic and Sanders Morris Harris LLC, our affiliated investment advisers. *(See Other Financial Industry Activities and Affiliations for additional information regarding conflicts of interest associated with the recommendation and use of affiliated adviser services.)* These other investment advisers are responsible for the research and security selection within model portfolios, day-to-day trading within the models, and other back-office operations. CWA is responsible for the supervision of the account, portfolio reallocations and rebalancing, and ongoing client interaction and servicing. Services may be offered as part of a wrap program sponsored by a third-party investment adviser such as Envestnet, or through non-wrap portfolio management accounts.

Investments and allocations are determined and based upon the client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors. Investments may include various types of securities such as equity securities, ETFs, mutual funds, corporate debt securities, municipal securities, and U.S. Government securities. Other types of investments may also be recommended where such investments are appropriate based on the client's stated goals and objectives. Further restrictions and guidelines imposed by the client may affect the composition and performance of a client's portfolio. For these reasons, performance of the portfolio may not be identical to other clients of CWA. On an ongoing basis, we review the client's financial circumstances and investment objectives, and instruct the sub adviser to make the necessary adjustments to the client's portfolio.

Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs. Clients should note that some custodial broker dealers have waived transaction fees for many equities and investment company securities. However, most custodial broker dealers still charge a separate transaction fee for certain securities, such as institutional class shares of mutual funds, non-US securities, etc. Where the account is managed through a wrap program sponsored by a third-party investment adviser such as Envestnet, the fee paid for portfolio management services will be inclusive of all transaction fees in the account. Where SMH acts as executing broker-dealer for CWA client accounts, SMH will receive advisory fees along with commissions, rebates and trails for securities purchased in the client's account. Please refer to Item 12 of this document for information about conflicts of interest associated with this arrangement.

Clients are advised to provide the firm with prompt notice of any changes in their personal financial circumstances, investment objectives, goals, and tolerance for risk. In addition, CWA will contact the client at least annually to determine whether there have been any changes in the client's personal financial circumstances, investment objectives, and tolerance for risk.

#### **Donor Advised Fund Services**

CWA also provides the Schwab Charitable Donor Advised Fund ("DAF") to clients via Schwab Charitable, a web-based interface and administrative solution for charitable giving to philanthropic vehicles via the Schwab Charitable Fund ("SCF"), an IRS approved philanthropic vehicle established for the purpose of managing charitable donations contributed by or on behalf of donor clients. The DAF allows CWA to actively manage assets that have been donated to and are owned by SCF, while charging an investment management fee. CWA's DAF participation is in conjunction with approval by the SCF Investment Committee for CWA to operate as an advisory manager on the platform. The Schwab Charitable Fund is an independent company and is unaffiliated with CWA.

#### **IRA Rollover Considerations**

As a normal extension of financial advice, we provide education or recommendations related to the rollover of an employer-sponsored retirement plan. A plan participant leaving employment has several options. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. The complexity of these choices may lead an investor to seek assistance from us.

An Associated Person who recommends an investor roll over plan assets into an Individual Retirement Account ("IRA") may earn an asset-based fee as a result, but no compensation if assets are retained in the plan. Thus, we have an economic incentive to encourage an investor to roll plan assets into an IRA. In most cases, fees and expenses will increase to the investor as a result because the above-described fees will apply to assets rolled over to an IRA and outlined ongoing services will be extended to these assets.

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interests and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

#### **Assets Under Management**

As of 12/31/2022, the total amount of assets under management at CWA is \$2,664,713,561. We manage \$1,194,376,566 in client assets on a discretionary basis and \$1,470,336,995 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 Fees**

The fee for planning services performed up to and including the initial consultation meeting is \$10,000 for a one-professional household or \$12,000 for a two-professionals household. A deposit of 50% will be due and payable to CWA at the time the Agreement is signed, with the balance due and payable the day of the initial consultation meeting. If the client wishes to cancel the initial consultation meeting 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 planning relationship will begin on the first day of the month following 30 days after the date of the initial consultation meeting. In exchange for these ongoing services and updates, and for a year end annual consultation, CWA will charge an annual fee of \$13,200 for a one-professional household or \$13,200 plus an additional \$2,600 for additional business owned within the same household (the "Annual Fee"). Fees may be paid in monthly payments or quarterly payments. Payments may be made by check or credit card.

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.

In some cases, the client may need services outside of the scope of work specified in the Financial Planning & Basic ERISA Plan Services Agreement. In such cases, additional hourly fees will be charged at a rate of \$500 per hour. CWA will provide the Client with an estimated number of hours to complete the out-of-scope work, and an upfront retainer of 50% shall be due in advance and the remainder of out-of-scope hourly fee balance to be due within 30 days of Client's receipt of the balance due invoice. These additional out-of-scope services will be discussed with the client prior to billing and the Client will be required to sign an amendment and supplement to their existing agreement.

#### *Basic ERISA Plan Services Fee*

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.

Fees related to Basic Pension and Retirement Plan Services are based on the number of trustees, fiduciaries and/or sponsors of the Plan (the "Plan Representative"). For each such person comprising the Plan Representative, the fee is \$300.00 annually (the "Flat Fee"). The Flat Fee will be payable in monthly payments of \$25.00 and will begin the month following the Client's decision to establish a Plan, but not sooner than the beginning of the on-going services. If Plan is already established at the time of execution, the Flat Fee will begin at the same time as monthly billing for the Annual Fee.

### **Recommended Investment Program Fees**

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

#### *Trustee Directed Plan Fees (for Global Plan Services Addendum)*

For global services to trustee directed pension and retirement plans, CWA receives an annual fee of 0.20% of assets under management, 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. The total investment management fee is broken down as follows:

CWA Fee: 0.20% (This fee is deducted by Tectonic as a paying agent for CWA)  
Tectonic Fee: 0.34%  
T Bank Custodial Fee: 0.11%

This fee is based on the most recent valuation of investments and assets of the Plan, which the Plan owns, and holds in the investment program. This fee will be billed and collected monthly, in arrears, based on monthly average daily balance, adjusted for contributions and withdrawals. Plan trustees authorize the fee to be paid from plan assets.

Clients invested in the Unified Managed Account Program (UMA) should refer to the UMA program fee description below for information about their fees.

*Participant Directed Plan Fees (for T Bank Participant Directed Program)*

For Participant Directed Plans, CWA receives an annual fee of 0.20% of assets under management, 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. The total investment management fee is broken down as follows:

CWA Fee: 0.20% (This fee is deducted by Tectonic as a paying agent for CWA)  
Tectonic Fee: 0.34%  
T Bank Custodial Fee: 0.11%

This fee is based on the most recent valuation of investments and assets of the Plan, which the Plan owns, and holds in the investment program. This fee will be billed and collected quarterly, in arrears, based on average daily balance, adjusted for contributions and withdrawals. The CWA fee is payable by the Plan Sponsor's own assets and shall not be deducted from participant accounts. The CWA Fee calculation does not take into account assets that are not invested through the T Bank Program, such as investments in self-directed brokerage accounts.

CWA will 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.

*Personal Trust Asset Management Fees*

Clients who have engaged CWA for Business and Personal Financial Planning Services can opt to invest Personal Trust Asset in the T Bank Program. In such cases, CWA receives an annual fee of 0.20% of assets under management, out of the 0.65% investment program fee charged by the custodian to the account under the terms of the custodian's custody agreement. The total investment management fee is broken down as follows:

CWA Fee: 0.20% (This fee is deducted by Tectonic as a paying agent for CWA)  
Tectonic Fee: 0.34%  
T Bank Custodial Fee: 0.11%

This fee is based on the most recent valuation of investments and assets in the investment program. This fee will be billed and collected monthly, in arrears, based on monthly average daily balance, adjusted for contributions and withdrawals. The Client authorizes the fee to be paid from personal trust assets.

Clients who have not engaged CWA for Business and Personal Financial Planning services will pay a fee based on a percentage of total portfolio assets under management, in accordance with the following tiered schedule:

<b>Assets Under Management</b>	<b>Applied Annualized AUM Fee</b>
First \$1,000,000	1.00%
Next \$2,000,000	0.80%
Next \$2,000,000	0.75%
Next \$5,000,000	0.60%
Over \$10,000,000	0.50%

For example, if a client has \$2,000,000 in assets under management with CWA, the tiered breakpoints will be calculated at 1.00% up to the first \$1,000,000 – or \$10,000 in annual assets under management fees – and then 0.80% for the assets above \$1,000,000 – or \$8,000 in annual assets under management fees – for a total annualized effective rate of 0.90%. This rate would be applied to the assets in each account to determine the final amount billed.

This fee is based on the most recent valuation of investments and assets in the investment program. This fee will be billed and collected monthly, in arrears, based on monthly average daily balance, adjusted for contributions and withdrawals. The Client authorizes the fee to be paid from personal trust assets.

Participants in the Pooled Investment Program will incur other fees charged by affiliated and unaffiliated service providers (*e.g.*, the record keeper, custodian, third-party administrator, etc.). Participants will incur direct and indirect investment fees related to the investment options held in their 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, which is disclosed in the enrollment materials for the trustee and participant directed programs. The indirect cost incurred by each Participant will differ, depending on how their portfolio is allocated among the investment options.

#### Unified Managed Account Program (UMA) Fees

With respect to the UMA Platform, CWA's fees will be based on a percentage of total portfolio assets under management (AUM), in accordance with the following tiered schedule:

<b>Assets Under Management</b>	<b>Applied Annualized AUM Fee</b>
First \$1,000,000	1.00%
Next \$2,000,000	0.80%
Next \$2,000,000	0.75%
Next \$5,000,000	0.60%
Over \$10,000,000	0.50%

For example, if a client has \$2,000,000 in assets under management with CWA, the tiered breakpoints will be calculated at 1.00% up to the first \$1,000,000 – or \$10,000 in annual assets under management fees – and then 0.80% for the assets above \$1,000,000 – or \$8,000 in annual assets under management fees – for a total annualized effective rate of 0.90%. This rate would be applied to the assets in each account to determine the final amount billed.

Clients who have engaged CWA for Business and Personal Financial Planning Services will pay a discounted flat rate of 0.55%.

The above fee schedule includes the advisory fee payable to CWA and the overlay management fee of 0.35% payable to Tectonic. However, this fee does not include fees charged by model providers under the UMA program. Such money manager fees will be disclosed in the relevant money manager's Form ADV and deducted separately by the money manager from the client's custodial account.

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. Advisory fees for alternative investments offered on the Capital Integration Systems LLC ("CAIS") Alternative Investments Portal will be based on quarter end value. Advisory fees for assets managed through CAIS and/or CANVAS® will be directly deducted separately by CAIS and/or CANVAS®.

There may be additional fund fees for model providers, mutual funds, ETFs and private funds, depending on the model chosen. These fees are deducted at the mutual fund, ETF or private fund 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.

Either party may terminate a Unified Managed Account Program Agreement at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Refunds are not applicable because the fee is payable in arrears.

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

*Important Note: As of January 2023, the wrap fee program (MMA Program) is no longer offered to new clients. Existing clients are in the process of being transitioned out of the wrap fee program and into non-wrap portfolio management accounts. We expect this process to be completed by the end of 2023.*

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 (0.38% 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%).

CWA pays a fee to Tectonic 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:**

Generally, CWA charges a fee of up to 0.60% of assets under management for services it renders to participants in the various SMA programs. The fee can be shared with affiliates, such as Tectonic, that provide due diligence and certain back-office services to CWA. In addition to this fee, clients participating in the SMA program will pay the various investment managers (including SMH) a fee of up to 0.50% of assets under management. This fee is based on the most recent valuation of investments and assets in the investment program. This fee will be billed and collected monthly or quarterly, in arrears, adjusted for contributions and withdrawals. The Client authorizes the fee to be paid from their custodial account. The exact fee and payment arrangement will be listed in the agreement signed by CWA and the client.

Services may be offered as part of a wrap program sponsored by a third-party investment adviser such as Envestnet, or through non-wrap portfolio management accounts. Where Envestnet acts as platform provider or a sponsor of the wrap program, Envestnet will charge a fee of up to 0.20% of assets under management.

Custodian and brokerage services are provided by SMH and its custodian Pershing, LLC, Fidelity, and/or TD Ameritrade. Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs. Clients should note that some custodial broker dealers have waived transaction fees for many equities and investment company securities. However, most custodial broker dealers still charge a separate transaction fee for certain securities, such as institutional class shares of mutual funds, non-US securities, etc. Where the account is managed through a wrap program sponsored by a third-party investment adviser such as Envestnet, the fee paid for portfolio management services will be inclusive of all transaction fees in the account.

If investment company securities are chosen to be included in a SMA, the client will incur additional fees at the mutual fund level. These fees represent an additional cost to the client and affect the performance of the account.

SMH offers six (6) cash management portfolio models to clients of CWA. These accounts include, Cash Management, Treasuries, Enhanced Short Term Fixed Income, Core, Performance (Bespoke Enhanced Security Tactics aka "B.E.S.T.") and Custom (a customized account to meet the needs of individual clients). Cash Management, Treasuries, Enhanced Short Term Fixed Income, and Performance portfolios are not charged a fee by CWA. However, SMH charges fees of up to 0.25% of assets under management. Clients



should also note that Performance portfolios (Bespoke Enhanced Security Tactics aka "B.E.S.T.") charge a performance-based fee. This performance-based fee is charged directly by SMH and not shared with CWA. The exact fee schedules along with payment terms is clearly listed in the advisory agreement signed by the client with SMH. Clients should also refer to the Form ADV Part 2 Brochure provided by SMH for detailed information about SMH's services, billing arrangements and associated conflicts of interest. Clients should contact us promptly if they have not received SMH's Form ADV Part 2 Brochure.

### **Important Disclosures About the Recommendation of Affiliates**

Implicit in a decision to participate in the Pooled Investment Program through an affiliated National Bank, the Unified Managed Account Platform, the Multiple Manager Account Program or the Separately Managed Accounts Program, is the recommendation of T Bank, Tectonic and Sanders Morris Harris LLC ("SMH"). T Bank, Tectonic, and SMH are affiliates of CWA through common ownership and control. Specifically, the eleven of the thirteen owners of CWA also have an ownership interest in Tectonic Financial, Inc., a publicly traded entity that owns T Bank, Tectonic and Sanders Morris Harris, LLC ("SMH"). CWA utilizes the services of Tectonic to conduct due diligence, research, and model management. T Bank utilizes the services of Tectonic to recommend managers to T Bank's Trust Committee for consideration. The securities held in the Pooled Investment Program are managed by managers not affiliated with T Bank or Tectonic. However, one of the managers in the Pooled Investment Program utilizes the services of SMH, to execute trades in certain Funds. SMH receives commissions from the Funds for the transactions placed on behalf of the Funds. Assets in the Funds are held by a third-party custodian, U.S. Bank, N.A. In addition, Tectonic and SMH will receive compensation for managing portions of client accounts in the UMA and SMA Programs.

The eleven CWA owners holding an interest in Tectonic Financial, Inc. receive additional indirect compensation in the form of a share of profits from these entities. These recommendations present a conflict of interest for CWA because Tectonic and SMH receive compensation for services rendered to clients of CWA. This creates an incentive for CWA to recommend Tectonic and SMH over other model portfolio managers. 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 always uphold their fiduciary duty; and (iii) to put the client's interest first. Clients are not required to use the services of any affiliated advisers recommended by CWA.

### **Additional Fees and Expenses**

The fees CWA charges may be negotiable at the sole discretion of CWA based on the amount of assets under management, complexity of client goals and objectives, and level of services rendered. Fees 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.

### **Compensation for the Sale of Investment Products**

Certain affiliated entities and Associated Persons of CWA are licensed insurance agents and can effect transactions in insurance products and earn commission based compensation for these activities. Clients are instructed that the fees paid to the firm for advisory services are separate and distinct from the commissions earned by our affiliated entities and dually licensed Associated Persons. Commissions from the sale of insurance products will not be used to offset or as a credit against advisory fees. Therefore, Associated Persons have an incentive to recommend insurance products based on the compensation to be received, rather than on a client's needs.

The sale of annuity contracts or insurance products offered by Associated Persons are intended to complement our advisory services. However, a conflict of interest exists due to the potential receipt of dual forms of compensation. CWA has policies and procedures in place to monitor all client transactions and all client transaction costs will be disclosed to the client. Clients to whom the firm offers advisory services are informed that they are under no obligation to use the firm's affiliated entities or Associated Persons for insurance services and may use the insurance brokerage firm and agent of their choice.

### **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; a majority of which are involved either directly or indirectly with the healthcare profession, but not exclusively.

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 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 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 and/or CWA as applicable to ensure such providers meet certain minimum qualitative and quantitative standards adopted by Tectonic 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.

#### **Risks Associated with Capital Integration Systems LLC Investments**

CAIS sources and selects various private funds for its platform through a due diligence process conducted by Mercer Investment Consulting ("Mercer"). Products that are appropriate and desirable for the platform are subject to internal committee reviews by CAIS and a fully independent review by Mercer. Product onboarding occurs only following the successful completion of these processes. In addition to reviewing the risk disclosure contained herein, clients participating in the UMA Program with respect to certain alternative investments available to them through the Capital Integration Systems LLC ("CAIS") Portal should closely read the relevant prospectus or private placement memorandum prior to investing. Such

documents are intended to include all material risks of such investments, and are hereby incorporated herein by reference.

**Alternatives Risk:** Non-traded REITs, business development companies, limited partnerships, and direct alternatives are subject to various risks such as devaluation based on adverse market conditions and may not be suitable for all investors. A prospectus that discloses all risks, fees, and expenses may be obtained from your investment adviser representative. Read the prospectus carefully before investing. This disclosure is not a solicitation or offering which can only be made in conjunction with a copy of the prospectus. Investors considering an investment strategy utilizing alternative investments should understand that alternative investments are generally considered speculative in nature; and, such investments involve a high degree of risk, particularly if concentrating investments in one or few alternative investments.

**Risks Associated with Investing in Private Funds:** Private investment funds are not registered with the Securities and Exchange Commission and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory restrictions and oversight to which other issuers are subject. There may be little public information available about their investments and performance. Moreover, as sales of shares of private investment companies are generally restricted to certain qualified purchasers, it could be difficult for a client to sell its shares of a private investment company at an advantageous price and time, and investments in a private investment company routinely include a “lock up” period, during which investors are not permitted to withdraw their funds from such private investment company. Since shares of private investment companies are not publicly traded, from time to time it may be difficult to establish a fair value for the client’s investment in these companies. In addition, private investment companies may employ leverage, including the use of borrowed funds. While such strategy may increase the opportunity to achieve higher returns on the amounts invested, it also increases the risk of loss.

**Illiquid securities:** Illiquid securities involve the risk that investments may not be readily sold at the desired time or price. Securities that are illiquid, that are not publicly traded, and/or for which no market is currently available may be difficult to purchase or sell, which may impact the price or timing of a transaction. An inability to sell securities can adversely affect an account's value or prevent an account from taking advantage of other investment opportunities. Lack of liquidity may cause the value of investments to decline and illiquid investments may also be difficult to value. A client may not be able to liquidate investment in the event of an emergency or any other reason.

Certain investment strategies used by our firm may invest in illiquid asset vehicles, such as private equity and real estate. Investment in an illiquid asset vehicle poses similar risks as direct investments in illiquid securities. In addition, investment in an illiquid asset vehicle will be subject to the terms and conditions of the illiquid asset vehicle’s investment policy and governing documents that often include provisions that may involve investor lock-in periods, mandatory capital calls, redemption restrictions, infrequent valuation of assets, etc. In addition, investments in illiquid securities or vehicle may normally involve investment in non-marketable securities where there is limited transparency. If obligated to sell an illiquid security prior to an expected maturity date, particularly with an infrastructure investment, they may not be able to realize fair value. Investments in illiquid securities or vehicles may include restrictions on withdrawal rights and shares may not be freely transferable.

**Cybersecurity Risks** – CWA and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, however, unintentional events may have similar effects. Cyber-attacks may cause losses to clients by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose our firm to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While our firm has established business continuity plans, incident response plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers and may cause a client's investment in such securities to lose value.

#### **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.

Eleven of the thirteen owners of CWA have 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, Inc., 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 is regarded as a conflict of interest, by virtue of their ownership in T Bank. 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") 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's 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. 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 can be regarded as being influenced by the affiliate relationship between Tectonic and CWA, and the contractual relationship between T Bank and Tectonic. To mitigate these conflicts, in addition to the firm's code of ethics policies, CWA Compliance reviews and works with CWA owners and the Investment Committee to resolve potential conflicts.

Additionally, CWA can recommend clients include Tectonic model portfolios in their UMA allocation. This recommendation presents a conflict of interest for CWA as Tectonic receives compensation on the allocated assets. This creates an incentive for CWA to recommend Tectonic over other model portfolio advisors. To mitigate this conflict, in addition to the firm's code of ethics policies, CWA Compliance reviews and works with CWA owners and the Investment Committee to 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. Commissions from the sale of insurance products will not be used to offset or as a credit against advisory fees. This creates a conflict of interest because Associated Persons have an incentive to recommend insurance products based on the compensation to be received, rather than on a client's needs.

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. Additionally, SMH acts as a model provider for certain CWA clients. This recommendation presents a conflict of interest for CWA as SMH receives both fee based and commission based compensation on the allocated assets. This creates an incentive for CWA to recommend SMH over other model portfolio advisors. To mitigate this conflict, in addition to the firm's code of ethics policies, CWA Compliance reviews and works with CWA owners and the Investment Committee to resolve potential conflicts.

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. CWA 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 CWA employees have an economic interest include:

**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.

**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. Eleven of the thirteen owners of CWA have an ownership interest in EDA. 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.

**NDP, LLC dba NDP Transitions (NDP)(fka National Dental Placements, LLC)** – 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) and consulting services related to such 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 (8.33%) by eleven of the thirteen owners of CWA and Christy Ratcliff.

**7P Dental Transition Services, LLC dba 7 Pillars** – 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 to a Dental Service Organization (DSO) or private equity vehicle. The major services provided by 7 Pillars include: the financial analysis and calculation of EBITDA, finding potential buyers for such practice sales, and consulting services related to such practice sales. CWA may offer its services to clients of 7 Pillars, and CWA and 7 Pillars may at times share certain personnel. In addition, CWA Planners may refer CWA clients to 7 Pillars, and in such



cases, the Planners (which could include CWA owners) may receive a referral fee from 7 Pillars. These referral relationships may create a conflict in that the Planners would have an incentive to refer clients to 7 Pillars rather than one of 7 Pillar'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 7 Pillars to be very competitive in price and quality. 7 Pillars is owned equally (7.69%) by the eleven of the thirteen owners of CWA, Christy Ratcliff, and Brett Pierce.

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 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. There is an inherent conflict of interest in that 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. However, such current investments are no longer open to new investors or open to any additional capital and are in a distribution stage in advance of preparations for eventual winddown.

#### **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**

#### **Brokerage Recommendations**

Accounts managed by our affiliated investment adviser/broker dealer, Sanders Morris Harris LLC ("SMH"), use SMH and Pershing, LLC ("Pershing") for brokerage and custody. SMH has an introducing broker arrangement with Pershing, a clearing broker and custodian, and receives a portion of Pershing's brokerage fees as a result. For certain transactions, including those directly done with a mutual fund company or insurance company issuing a variable product, the use of a clearing firm is not necessary, allowing SMH to act alone on the transaction without Pershing. When SMH acts as broker-dealer on a transaction in a client's account, SMH will receive commissions, rebates and trails as a result of the transaction. The possibility of such compensation creates an economic incentive and a conflict of interest for SMH. SMH's recommendation of Pershing is affected by its financial interests in seeking to increase its broker-dealer business by increasing the number of transactions Pershing processes as its clearing firm and increasing the value of its clients' assets custodied in accounts at Pershing. SMH can also receive other payments and credits from Pershing based on a percentage of the interest paid by clients on margin account balances, a percentage of interest earned on customer "free credit balances," a percentage of the interest earned on sweep account balances maintained by Pershing or its affiliates, and a percentage of IRA account fees. These payments or credits to SMH from Pershing will grow as the amount of assets maintained in our clients' Pershing accounts increases.

As an investment adviser, CWA has a significant interest in encouraging clients to open and maintain accounts with Pershing because of its affiliation with SMH. SMH receives the following services from Pershing at no charge:

- Access to institutional trading desks;
- Duplicate client confirmations and bundled duplicate statements;
- Ability to have investment advisory fees deducted directly from client accounts;
- Access to an electronic communications network for client account information;
- Receipt of compliance publications;
- Access to mutual funds otherwise available for significantly higher minimum initial investments or only to institutional investors; and
- Access to educational events or occasional business entertainment of our personnel.

CWA and SMH rely on Pershing's systems that provide access to client account information and records, including duplicate and batched client statements, confirmations, and year-end summaries; pricing information and other market data; and recordkeeping and client reporting assistance. Some of these services may be used to service all of our accounts, including accounts not maintained with Pershing.

The existence of these products and services from Pershing influences our recommendation of Pershing to clients and creates a significant conflict of interest that clients should consider when evaluating whether to accept our recommendation of SMH's and/or Pershing's services. We offer no assurance that

the costs clients will incur by using SMH as investment adviser and SMH and Pershing as broker-dealers will be as low as the costs charged by other firms for similar services; it is likely that lower costs are available for similar services from other broker-dealers or custodians. Because of the incentive we have to recommend Pershing, we have adopted policies and procedures to monitor and mitigate this conflict by periodically analyzing the Pershing programs we recommend for our clients, evaluating the usefulness of the services received in relation to the costs of such services, and assessing the overall quality of the services.

Clients are under no obligation to buy any security or insurance product recommended in any financial plan or consulting service. If the client elects to implement any such recommendation, the client is under no obligation to purchase the product through SMH or any other broker-dealer that we may recommend; they may purchase such product through any licensed agent or financial services firm of their choosing.

#### **Brokerage and Custodial Services Offered by Fidelity and TD Ameritrade**

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 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. Decisions related to the purchase and sale of securities are made by the individual money managers or mutual funds.

#### **Brokerage and Custodial Services Offered by Schwab**

Assets in the Schwab Charitable Donor Advised Fund are custodied at Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC. Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. We are independently owned and operated; and, we are not affiliated with Schwab. Schwab will hold assets in a brokerage account and will buy and sell securities in your account(s) upon our instructions. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and you will open your account with Schwab by entering into an account agreement directly with them.

### *Your Custody and Brokerage Costs*

Schwab generally does not charge you separately for custody services, but it is compensated by charging commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account.

### *Research and Other Soft Dollar Benefits*

Although not considered “soft dollar” compensation, CWA may receive some economic benefits from Schwab Advisor Services in the form of access to its institutional brokerage, trading, custody, reporting and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, Schwab may charge us quarterly service fees. Below is a detailed description of Schwab’s support services:

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

*Services that May Not Directly Benefit You:* Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients’ accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

*Services that Generally Benefit Only Us:* Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

CWA understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all CWA clients and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While CWA may not always obtain the lowest commission rate, CWA believes the rate is reasonable in relation to the value of the brokerage and research services provided.

Some of the programs offered in our portfolio management services are only available to accounts custodied at one or more of the broker-dealers that we recommend. For other programs, we have the capability of working with other custodians upon the client's request.

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

We do not have any soft dollar arrangements with any broker-dealer. Through our relationships with broker-dealers, we or our affiliates receive research or other services at no charge. However, the receipt of such research and additional benefits is not contingent upon us committing any specific amount of business to the providing broker-dealer. We do not use client brokerage commissions paid to the broker-dealer for the purposes of obtaining research or other services.

Nonetheless, a conflict exists between the interests of our clients in receiving best execution (and lower transaction costs) and our interest in receiving research and/or other services and recommending the broker-dealers who provide us with such research and services. We do not attempt to put a dollar value on the services received by each account, nor do we attempt to allocate or use the services received for the benefit of specific accounts or attempt to use any particular item to service all accounts. We will use the services we receive to assist in managing accounts not maintained with the broker-dealer whose commissions were used to pay for such services. The services and support we receive from broker-dealers are used to help our firm to fulfill its overall client obligations.

To address this conflict of interest, we have adopted policies and procedures to conduct periodic best execution reviews to monitor and mitigate this conflict. When conducting a best execution review and/or otherwise reviewing the broker-dealers, we consider the transaction costs (including commissions or spreads, market impact costs, and opportunity costs), as well as the full range and quality of the broker-dealer and related services the broker-dealer provides. We consider the speed, certainty, consistency and accuracy of execution, responsiveness to our inquiries and requests, willingness and speed in resolving errors or other discrepancies, access to financial products and markets, and research, analyses, and various electronic products and services provided by the broker-dealer. We periodically evaluate the usefulness of the services the broker-dealer provides in relation to transaction costs.

CWA will continue to review periodically its determination that the costs and quality of services from the broker-dealers we recommend are reasonable in relation to the value of the services provided, viewed in terms of the overall relationship.

#### **Best Execution**

In recommending broker-dealers, we consider the full range and quality of the broker-dealer's services, including, among other things, execution capability, cost, financial responsibility, responsiveness, and the value of research and other services provided. CWA will not recommend a broker-dealer solely on the basis of the lowest possible commission cost, but rather, will determine whether the broker-dealer has the ability to provide the best qualitative execution. The reasonableness of a broker-dealer's compensation is based on the broker-dealer's ability to provide professional services, competitive commission rates, research, and other services which will help us in providing investment services to clients. Consequently, we may recommend a broker-dealer that provides useful research and brokerage services, even though a lower commission may be charged by a different broker-dealer.

As a fiduciary, we recognize our duty to seek best execution. We regularly evaluate all broker-dealers recommended and utilized. In doing so, we consider all of the products, services, and benefits that we and our clients receive as well as the cost and quality of the custodial or brokerage services a broker provides. We continue to believe that our use of the recommended broker dealers is consistent with our fiduciary responsibilities.

#### **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.

#### **Directed Brokerage**

Depending on the program selected, clients for whom we provide portfolio management services may be required to direct us to execute transactions through a specified broker-dealer. Not all investment advisers require their clients to direct the use of a particular broker.

When clients direct brokerage, we may not be able to achieve most favorable execution of client transactions. Certain cost-reducing measures, such as volume discounts or aggregate trading, may not be available, and we may receive less favorable pricing. As a result, directing brokerage may cost clients more money.

### **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**

*Please refer to Item 12 for further information about the products, services, and economic benefits we receive from broker-dealers.*

CWA does not receive additional 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 clients serviced by the Associated Person.

As described in Item 10, CWA can recommend clients include SMH and Tectonic model portfolios in their UMA allocation. This recommendation presents a conflict of interest for CWA as SMH and Tectonic receive compensation for the management of the allocated assets.

Additionally, Tectonic provides CWA with asset management services, investment manager oversight, management and trading of model portfolios, and other related services. CWA and Tectonic, as affiliates and related parties, and by means of an agreement between both parties, may receive mutual economic benefit for these services and client recommendations of the models.

#### **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 Emerging Market Partners Real Estate Investment Fund I, LP; CWA could be deemed to have custody over this partnership 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.





**Important Note: As of January 2023, the wrap fee program is no longer offered to new clients. Existing clients are in the process of being transitioned out of the wrap fee program and into non-wrap portfolio management accounts. We expect this process to be completed by the end of 2023.**

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

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**March 31, 2023**

### **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 31, 2022.

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**

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#### **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") 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, 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 to provide a parallel due diligence effort on an ad-hoc basis. Tectonic's 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's 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 has independently calculated or verified the performance. Each manager's performance is compared to an index that has been determined by Tectonic 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") 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's 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. 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 and CWA, and the contractual relationship between T Bank and Tectonic. 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 model portfolio in their UMA allocation. This recommendation presents a conflict of interest for CWA as Tectonic receives 35 basis points on the allocated assets. This creates an incentive for CWA to recommend Tectonic 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.