

## **AWM Financial Services Inc.**

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**Version date: Decdember 14, 2023**

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

AWM Financial Services Inc. is an investment adviser registered with the Securities and Exchange Commission ("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 AWM Financial Services Inc. If you have any questions about the contents of this brochure, please contact us at (281) 444-7555. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AWM Financial Services Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

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

There are the following material changes in this brochure from the last annual updating amendment of AWM Financial Services Inc. on 02/21/2023. Material changes relate to AWM Financial Services Inc.'s policies, practices or conflicts of interests.

The firm no longer uses the custodian TD Ameritrade. (Item 12)

## Table of Contents – Item 3

### Contents

|  |    |
|--|----|
| Material Changes - Item 2.....   | 2  |
| Advisory Business - Item 4 .....   | 4  |
| Fees and Compensation - Item 5 .....   | 8  |
| Performance-Based Fees and Side-By-Side Management - Item 6 .....                                    | 10 |
| Types of Clients - Item 7.....   | 10 |
| Methods of Analysis, Investment Strategies and Risk of Loss - Item 8.....                            | 10 |
| Disciplinary Information - Item 9 .....  | 12 |
| Other Financial Industry Activities and Affiliations - Item 10 .....                                 | 12 |
| Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Item 11..... | 13 |
| Brokerage Practices - Item 12 .....  | 13 |
| Review of Accounts - Item 13 .....   | 14 |
| Client Referrals and Other Compensation - Item 14 .....  | 15 |
| Custody - Item 15.....   | 22 |
| Investment Discretion - Item 16 .....  | 22 |
| Voting Client Securities - Item 17.....  | 23 |
| Financial Information - Item 18 .....  | 23 |

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

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

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

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

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

#### ***Portfolio Management Services***

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

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

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

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

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

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

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

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

***Selection of Third-Party Investment Advisers***

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

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

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

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

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

### ***General Consulting Services***

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

- **Retirement Planning:**

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

- **Investment Planning:**

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

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

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

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

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

### ***Pension Consulting Services***

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

#### **Investment Policy Statement Preparation**

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

#### **Selection of Investment Vehicles**

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

#### **Monitoring of Investment Performance**

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

#### **Employee Communications**

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

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

### **Assets Under Management**

As of December 31, 2022, we manage \$172,309,075.00 in client assets on a discretionary basis, and \$ 0.00 in client assets on a non-discretionary basis.

### **Fees and Compensation - Item 5**

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

#### **Portfolio Management Services**

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

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

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

In addition, AWM imposes an annual administrative and technology fee of \$50 on all accounts. This fee is debited at the end of the May billing cycle. This fee is applicable to discretionary, non-discretionary, and non-managed accommodation accounts regardless of the account's value. This fee can be waived at the discretion of the AWM.

Fees will be deducted from your account. Fees are billed monthly, in arrears, the balance in the client's account on the last day of the billing period is used to determine the market value of the assets upon which the advisory fee is based.. We usually deduct advisory fees from a designated account to facilitate billing. The client must consent in advance to direct debiting of their account.

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

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

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

#### **Third Party Adviser (TPAs) Fees**

AWM will perform management searches of various independent registered investment advisers for referral to AWM clients. AWM will share in the fee paid to the TPA. The management fee is disclosed in



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

#### **General Consulting Services Fees**

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

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

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

#### **Pension Consulting Services Fees**

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

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

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

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

All fees paid to AWM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may

pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of AWM. In that case, the client would not receive the services provided by AWM, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by AWM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

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

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

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

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

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

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

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

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

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

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

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

- Fundamental Analysis – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its

future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

- **Technical Analysis** – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Ryan Wheless is the owner and an investment adviser representative with another investment advisory firm, Portfolio Dynamix. Clients should be aware that these services may involve a conflict of interest. AWM always acts in the best interest of the client.

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

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

Matthew Baxter Howie works at Cammed Goods LLC.

Matthew Baxter Howie owns Steele Reserve LLC, a credit extension for commodity sales organizations.

Matthew Baxter Howie works at Gulf Coast Center, a mobile crisis outreach team.

#### **Recommendation of Other Advisors**

We may recommend that you use a third party advisor (TPA) as part of our asset allocation and investment strategy. AWM will share in the compensation received by the TPA for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of the third party advisor. In order to address this conflict, the firm has adopted

a code of ethics that obliges all associated persons to deal fairly with all clients when taking investment action and to uphold their fiduciary duty and to put the client's interest first. At this time, AWM uses the following TPAs:

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

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

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

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

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

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

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

#### **Personal Trading Practices**

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

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

We recommend and request our clients to implement trades and maintain custody of assets through independent, qualified broker-dealers. Currently we recommend Fidelity Brokerage Services, LLC, Schwab Institutional division of Charles Schwab & Co., Inc., Folio Institutional, and The Trust Company of America. These broker dealers/custodians offer independent investment advisers such as AWM various

services, which include custody of client securities, trade execution, clearance, and settlement of transactions, and daily research and investment information.

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

AWM recommends custodians based on the proven integrity and financial responsibility of the firm, best execution of orders at reasonable commission rates, and quality of client service. We are independently owned and operated and do not receive fees or commissions from any custodian or broker-dealer, although AWM may receive additional benefits from these firms such as electronic delivery of client information, electronic trading platforms, institutional trading support, proprietary and/or third party research, continuing education, practice management advice, and other services provided by custodians for the benefit of investment advisory clients.

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

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

#### **Directed Brokerage**

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

### **Review of Accounts - Item 13**

#### ***Portfolio Management Account Reviews***

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

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

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

##### **Recommendation of Other Advisors**

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

Charles Schwab & Co., Inc. Advisor Services provides AWM with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For AWM client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to AWM other products and services that benefit AWM but may not benefit its clients' accounts. These benefits may include national, regional or AWM specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of AWM by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist AWM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of AWM's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of AWM's accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to AWM other services intended to help AWM manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to AWM by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these



services or pay all or a part of the fees of a third-party providing these services to AWM. AWM is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

### **ALTERNATIVE INVESTMENTS**

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

Our Firm allows the use of Alternative Investments, if deemed suitable for the client portfolio.

Alternative Investments represent asset classes outside the realm of traditional stocks, bonds and cash equivalents and include, among other things, the following:

- Financial Futures/Equity Futures and Options
- Leveraged and Inverse ETFs
- Hedge Funds
- Private Placements
- Non-Traded REITS
- Direct Lending Programs

The SEC Office of Compliance Inspections and Examinations (OCIE) acknowledges that IAs are increasingly recommending alternative investments to their clients. IAs are fiduciaries and thus must always act in their clients' best interests.

Our Firm requires that all Alternative Investment Products engaged by an IAR must be **approved in writing by our CCO prior to use with Clients**. All IARs interested in utilizing the services of an Alternative Product that is not currently on the approved list (Firm or Custodian platform) should provide a written request for approval of the product/sponsor.

AWM generally accepts investment ideas from any source, whether from a current client, an issuer or a third-party. For example, from time to time, clients may become aware of alternative investment opportunities from outside sources and request AWM's input, or potential issuers may reach out to AWM seeking that the Firm consider their alternative investment opportunities. With regard to any alternative investment idea:

- No AWM personnel may recommend an alternative investment to a client until the Firm authorizes such action.
- **Neither XXXX, nor any employees of the Firm, may receive a finder's fee or any other compensation** from the issuer or issuer's broker-dealer.



### **DUE DILLIGENCE OF ALTERNATIVE INVESTMENTS**

Before AWM makes a recommendation to a client regarding any investment, AWM must perform reasonable due diligence to determine that such investment:

- i. Meets the clients' investment objectives;
- ii. Is in the best interest of the client in light of the client's risk profile, liquidity requirements and
- iii. Is consistent with the investment principles and business strategies that were disclosed to AWM (e.g., as set forth in relevant documents, such as advisory disclosure documents, private offering memoranda, prospectuses, or other offering materials).

The Due Diligence process is to ensure and understand financial background of the investment, the management of the Firm offering the investment and the risks associated to Alternative Investment made available to clients. This review will typically include when available, but is not limited to:

- Review of audited financial statements
- Firm's offering documents
- Background of management persons of the Firm
- Evaluation of the validity and integrity of the issuer's business model and how it fits into its business sector,
- Determination of the issuer's creditworthiness,
- The assets held by or to be acquired by the issuers,
- Review of information available from financial and other publishers,
- Independent verification of management's representations (contact with issuer's clients; lenders, vendors, lower-level employees, *etc.*),
- Review news articles and industry publications regarding the issuer, its market, and competition,
- Review of the company's internal documents such as operating plans, product literature, corporate records, financial statements, contracts and lists of distributors and clients,
- Physical inspection of the company's facilities,
- Contact with the issuer's auditor and other experts knowledgeable about the company,
- Contact with outside directors,
- Interviews of key personnel or clients,
- Review of the intended use of proceeds of the investment by the issuer, • Liquidity availability and restrictions, if any.

The Firm shall keep and maintain a central file of all information and documents regarding a particular alternative investment idea. Documents shall be maintained in accordance with AWM's books and records procedures, reviewed and updated periodically, but no less than annually. The CCO and/or the investment committee is responsible for documenting the approval of any investment prior to use with any clients.

### TRAINING OF IARS

The Firm will provide adequate education and training with regard to the alternative investments approved for use with clients by our Firm. This is so that the IARs may understand the investment, its general features and material risks and the type of client the investment is suitable. Such education and training will be documented by Compliance.

### CLIENT REVIEW FOR USE OF ALTERNATIVE INVESTMENTS

Our Firm has implemented specific client guidelines regarding the recommendation of Alternative Investments with clients. Documentation will be required in the client file. Our Firm's IARs may only recommend the Alternative Investment to an AWM client when the recommendation has been determined to be in the best interest of the particular client.

Prior to recommending an alternative investment product, IARs should always consider the following:

- Liquidity
- Creditworthiness of the issuer/underlying collateral
- Principal and/or income is not guaranteed
- Tax consequences or benefits
- Costs and fees associated with selling and purchasing

Our Firm also cautions against relying too heavily upon a client's financial status as a basis for recommending alternative investments. Net worth alone is not necessarily a determining factor when considering if a particular product is suitable for an investor.

Before any recommendation by AWM of an alternative investment, the client and IAR shall complete an **Alternative Acknowledgement Form** outlining the desire for such investments, amount of money to be invested in such opportunities and a risk profile showing ability to shoulder risk of such investments. When an alternative investment is recommended by AWM, the client shall execute an **Alternative Acknowledgment Form**. The Form is designed to identify, and have the client acknowledge, the material risks attendant to the specific investment (e.g., speculative, illiquid, etc.) The Firm shall document the recommendation given to the client. Documents shall be reviewed and maintained in accordance with AWM's books and records procedures.

As noted above, from time to time, a client may identify investment opportunities from outside sources. In such cases, where the CCO determines that the alternative investment idea will not be reviewed by or Firm, and our Firm determines that it AWM not recommend the alternative investment as an appropriate investment, the client will be advised of such determination.

### DISCLOSURE OF RISKS

IARs will maintain documentation of discussions with clients about use of Alternative Products. Language in Part 2A – Item 8 – Strategy and Risk of Loss will address the risk of loss concerning

use of alternative investments. An **Alternative Acknowledgement Form** is used as documentation the Risks were disclosed to the client.

#### **ACCOUNT TYPE CONSIDERATIONS**

Some account types may not allow certain types of investments to be purchased or held in the account (based on trust document language, guardianship agreements, retirement plan documents, etc.). Additionally, some account types require financial information to be considered differently in order to determine the amount of an alternative investment that may be purchased. The following information must be considered:

##### **Trust Accounts:**

- ☐ Review the Trust documents in order to determine if these types of investments AWM be held in the account.
- ☐ Irrevocable Trusts must use the trust's financial information only. If the trust is established using its own tax identification number, the percentage guideline limit for age <70 is used along with the liquid net worth and investment objective.
- ☐ If the trust is established under an individual's social security number, as opposed to a Tax ID, then the oldest living grantor should be considered for the guideline limits. Personal grantor trusts report annual income, liquid net worth, and net worth, based on the personal financials of the grantor(s).
- ☐ Assets from a trust established using its own tax identification number AWM not be commingled with assets of the trustee's personal assets.

##### **UTMA/UGMA/Guardianship/Custodial Accounts:**

- The financial information of the minor or ward should be used.
- The percentage of the client's liquid net worth is based on the account owner's assets.
- For Guardianship accounts, review the court documents (if applicable), in order to determine if these types of investments AWM be held in the account.

##### **Profit Sharing Plans, 401K's, Corporate, and Non-Profit accounts:**

- Review the Corporate Charter documents (if applicable) or any other documents to determine if these types of investments AWM be held in the account.
- Use the entity's financial information.
- The percentage must be based on the account's investment objective and financials.
- Single Participant Profit Sharing Plans and Single Participant 401k plans should be included in the assets for the individual client/household for which the account is for the benefit of. Review of plan documents should be completed to determine if the plan is a single or multiple participant plan.

##### **Individual Accounts and IRA Accounts:**

- In most cases it may be appropriate to use the spouse's information if the client lives in a community property state. However, if the client has a prenuptial agreement, then they may not be able to. If the account owner decides to use their spouse's financial information, they must also include that spouse's Alternative Investment holdings for purposes of calculating allocation percentages.

**Joint Accounts:**

- Firm will consider the oldest account holder listed on the account to determine age suitability.
- Joint accounts must include current and pending Alternative Investment holdings of all owners whether or not the additionally disclosed holdings are held jointly or individually.

**PROSPECTUS/OFFERING MEMORANDUM REQUIREMENT**

Our Firm's procedures require that all IARs deliver to the client a copy of the prospectus or offering memorandum for any alternative investment product recommended or sold at the time of the recommendation or sale, if applicable. IARs should familiarize themselves with the contents of the fund prospectus/offering memorandum prior to recommending a purchase to clients. The prospectus or offering memorandum delivery is documented on the appropriate **Alternative Acknowledgment Form** for the product being sold or solicited.

**ACCURATE CLIENT INFORMATION**

When completing the appropriate alternative investment forms, it is important to fill out all paperwork in its entirety. Any omission of information may result in the purchase being rejected back to the IAR and AWM cause a delay in submitting paperwork to the sponsor. Any changes to a client signed document must be initialed and dated by the client.

**ALTERNATIVE INVESTMENT EXCEPTIONS REQUESTS**

As a general matter, the Firm does not grant exceptions to Firm guidelines and only under a very limited set of facts and circumstances will an exception be granted. All exception requests must be presented to Compliance in writing. The information provided to Compliance should include client financial information, beneficiaries, additional insurance policies, health of client, and a compelling reason why client should be allowed to exceed the policy limits. Each request is viewed on a case-by-case basis and may require additional documentation.

**USE OF DISCLOSURES ON MATERIALS**

Advisers are required to make a full and fair disclosure of all material facts pertaining to alternative investments they solicit or sell. This may include, among other things, disclosing that the alternative investment generally is illiquid, and the client may not be able to liquidate or sell the securities in the future. Advisers are also required to verify, at the time of purchase, that the client meets all suitability requirements specifically provided in the prospectus or offering memorandum for such security (e.g., minimum annual income and net worth, state regulations, etc.). Disclosures on materials referencing Alternative Investments shall include, as applicable:

- *AWM is acting solely on behalf of AWM clients in determining whether the alternative investment idea is an investment which may be suitable and in a AWM client's best interest.*
- *AWM is not acting on behalf of the issuer (or issuer's broker-dealer) and has no obligations to the issuer (or issuer's broker-dealer) in connection with its review of the alternative investment idea.*
- *Neither AWM nor its personnel will receive any transaction-based compensation in connection with providing investment advice to its clients.*
- *AWM is not providing any services to the issuer and has not/ is not providing any assistance with regard to creating the security, negotiating the offering of such security, or the terms and conditions of the issuance of such security such as the pricing of the offering.*

#### **ALTERNATIVE INVESTMENT LIQUIDATIONS AND REDEMPTIONS**

Generally, alternative investment products are meant to be held to maturity through a liquidity event as detailed in the prospectus or offering memorandum, however any planned liquidity event is not guaranteed and may be changed at the discretion of the program. For these such products, our Firm does not permit IARs to assist directly in the sale or redemption of an alternative investment unless the client is selling or redeeming back to the general partner or if they are accepting a tender offer. These sales or redemptions should not generally be a matter of solicitation as the investments are long term investments and the expectation is that they be held for the life of the fund.

There are some alternative investment products that have a perpetual life or duration, similar to how traditional investments are offered and redeemed at regular intervals. While these alternative investments are still long-term investments, it may be appropriate to redeem them at a later date based on changes to the client's investment objective, time horizon or specific financial needs.

Any client who wishes to sell an alternative investment should be made fully aware that:

- Alternative investments usually sell at a very deep discount to their initial purchase price and may be assessed early redemption fees or other charges;
- The client is responsible for paying all fees charged by the issuer or general partner in relation to the transfer;
- The transfer process may take longer than eight weeks to be completed;
- Redemptions may not always be possible, and clients should be prepared that they may not be able to liquidate shares; and
- Investing the proceeds of a liquidated alternative investment into a new alternative investment for the purpose of achieving greater distribution should not be

recommended, as the distribution rate is not guaranteed and may be reduced or eliminated at the discretion of the sponsor.

Periodically, a client may wish to liquidate some or all of their alternative investment holdings. Though there are Firms providing secondary markets with services designed to help individuals liquidate certain illiquid alternative investments, IARs must refrain from assisting clients in effecting transactions with such Firms. Additionally, our Firm does not allow IARs to engage in cross trades for any alternative investment including limited partnerships.

#### **PRIVATE SECURITIES TRANSACTIONS**

In accordance with our Code of Ethics, all associated persons must provide written notice to the Firm with which (s)he is associated describing in detail the proposed transaction and the associated person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction.

#### **Custody - Item 15**

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

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

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

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

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

AWM offers Portfolio Management Services to its advisory clients on both a discretionary and non-discretionary basis. AWM will manage client accounts on a discretionary basis if the client has granted

discretionary authority in the client advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold and do not require advance client approval. However, AWM does not have the ability to withdraw funds or securities from the client's account.

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

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

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

#### **Proxy Voting**

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

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

We are required in this Item to provide you with certain financial information or disclosures about AWM's, financial condition. AWM does not require or solicit the prepayment of over \$1,200, six or more months in advance. Additionally, AWM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.