



## **Item 1 - Cover Page**

### **Pacific Wealth Strategies Group, Inc.**

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This brochure provides information about the qualifications and business practices of Pacific Wealth Strategies Group, Inc. (hereafter "PWSG"). If you have any questions about the contents of this brochure, please contact Erin Neil at 805-966-7775 or at [eneil@pwsg.net](mailto:eneil@pwsg.net). 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 PWSG is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our firm name Pacific Wealth Strategies Group, Inc. or by our firm CRD number **144789**.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2 - Material Changes

The material changes in this brochure from the last updating amendment on 02/21/2023 of Pacific Wealth Strategies Group, Inc. are described below. Material changes relate to Pacific Wealth Strategies Group, Inc.'s policies, practices, or conflicts of interests.

- **Cover Page** - Pacific Wealth Strategies Group, Inc. has updated its primary office location.

Our previous version of Form ADV Part 2A was dated June 6, 2022.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31<sup>st</sup> so you will receive the summary of material changes, if any, no later than April 30<sup>th</sup> each year. At that time, we will also offer a copy of the most current disclosure brochure. We will also provide other ongoing disclosure information about material changes, as necessary.

### Item 3 – Table of Contents

Item 1 - Cover Page .....	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business .....	5
Description of Investment Advisory Services.....	5
Information Relating to PWSG's Services .....	8
Wrap Program .....	9
Assets Under Management ("AUM").....	9
Item 5 - Fees and Compensation .....	8
Investment Management Services Fees .....	9
Financial Planning/Consulting Services Fees.....	10
Pension Consulting Services Fees .....	10
Financial Institution Consulting Fees .....	9
General Information Concerning Fees.....	11
Additional Information about PWSG's Fees .....	12
Item 6 - Performance-Based Fees and Side-By-Side Management .....	12
Item 7 - Types of Clients .....	12
Minimum Investment Amounts Required.....	13
Item 8 - Methods of Analysis, Investment strategies and Risk of Loss .....	12
Methods of Analysis.....	13
Investment Strategies .....	14
Use of Primary Method of Analysis or Strategy .....	14
Risk of Loss .....	15
Item 9 - Disciplinary Information.....	16
Item 10 - Other Financial Industry Activities and Affiliations .....	16
Other Business Activities .....	16
Item 11 - Code of Ethics, Participation in Client Transactions and Personal Trading .....	17
Code of Ethics Summary.....	18
Participation or Interest in Client Transactions .....	19
Personal Trading .....	19
Item 12 - Brokerage Practices.....	19
The Custodians and Brokers We Use .....	20
How We Select Brokers/Custodians.....	20
Client Custody and Brokerage Costs.....	20
Products and Services Available to PWSG from Schwab .....	20
Best Execution.....	21
Trade Errors.....	22
Trade Aggregation and Allocation .....	23
Item 13 - Review of Accounts .....	23
Periodic Reviews.....	23
Other Reviews and Triggering Factors .....	23
Statements and Reports .....	23
Item 14 - Client Referrals and Other Compensation .....	24
Economic Benefits Received .....	24
Compensation for Client Referrals .....	24
Other Compensation .....	24
Item 15 - Custody.....	25

Item 16 - Investment Discretion .....	25
Item 17 - Voting Client Securities .....	25
Item 18 - Financial Information.....	25

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

Founded in 2007, Pacific Wealth Strategies Group, Inc. ("PWSG" or "the Firm") is an investment adviser registered with the United States Securities and Exchange Commission ("SEC") and is a corporation formed under the laws of the State of California. Erin J. Neil is PWSG's President and Chief Compliance Officer ("CCO"), and Jeffery D. Brookshire is the Firm's Vice President, Corporate Secretary, and Treasurer, and each own 50% of the PWSG corporate entity in addition to their roles as investment advisors and officers of PWSG. All investment adviser representatives ("IARs") of PWSG are independent contractors of PWSG. As independent contractors they offer advisory services to their own clients with whom they have an investment advisory agreement.

Please see Item 5 - Fees and Compensation below for a detailed description of PWSG's fees for its investment advisory services.

#### **Description of Investment Advisory Services**

PWSG provides its clients with a broad range of investment advisory services including investment management; comprehensive estate and financial planning and consulting; and pension consulting services.

PWSG's objective is to provide proactive wealth management strategies to the Firm's clients, with a focus on risk mitigation, tax efficiency, investment management and family legacy planning. Each client's situation is different, and therefore requires a customized planning process designed for each client's unique set of circumstances. PWSG's services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information. Integral to this process are in-depth, face-to-face meetings and concise written analyses. This process allows us to gain an intimate knowledge of each client's current situation, future time horizon, thoughts about the markets, family dynamics and deploy the appropriate strategies to address these issues. Our protocol addresses the following: (1) Investment Management, (2) Cash Management, (3) Risk Mitigation, (4) Integration of Tax Efficient Strategies, (5) Retirement Planning, (6) Liabilities, (7) Stock Options/Restricted Stock, (8) Business Succession Planning, (9) Document Review, (10) Wealth Distribution Planning, and (11) Charitable Gifting Strategies.

The following are brief descriptions of PWSG's investment advisory service:

**Investment Management Services** - PWSG provides advisory services in the form of Investment Management Services, which are also commonly referred to as asset management services. Investment Management Services involve providing clients with continuous and on-going supervision over their accounts. This means that PWSG will continuously monitor a client's account, make trades in client accounts when necessary, and manage the account in accordance with the client's stated investment objectives, risk tolerance, investment time horizon, tax considerations and other reasonable guidelines and restrictions imposed by the client.

The investment advice provided is variable depending upon the desires, investment objectives, and other preferences of the client and in accordance with a written investment management agreement entered into between PWSG and the client. When providing Investment Management Services, PWSG typically constructs each client's account holdings using equities, fixed income products, exchange traded funds ("ETFs"), open and closed-end mutual funds, and cash instruments to build diversified portfolios. PWSG

will also recommend the use of foreign issues, warrants, corporate debt securities (other than commercial paper), commercial paper, municipal securities, United States government securities (i.e., treasuries, T-bills, etc.), and options contracts on securities. Furthermore, while PWSG does not sell hedge funds, other types of private (i.e., non-registered) securities, interests in partnerships investing in real estate, and/or oil and gas interests, depending on the sophistication and suitability for PWSG clients, PWSG can recommend and/or provide advice and information regarding such security types. The Firm will modify its investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

Please see Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss for additional information on PWSG's investment strategies and Item 5 - Fees and Compensation for a detailed description of PWSG's fees for Investment Management Services.

**Financial Planning/Consulting Services** - PWSG provides comprehensive Financial Planning/Consulting Services. Financial planning/consulting can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to help guide the client to understand their overall financial situation, financial objectives, and assist the client in defining personal financial goals to be pursued with regards to some or all of the following areas: (1) Retirement Planning, (2) Estate Planning, (3) Insurance Needs Analysis including, but not limited to: Life Insurance, Disability Insurance, and Long-Term Care, (4) Tax Efficiency/Planning, (5) Real Estate Analysis, (6) Children's Education Planning and Funding, (7) Portfolio Reviews and Analysis, (8) Business Consulting, and (9) Divorce/Legal Separation Issues.

PWSG generally conducts an initial consultation during which pertinent information about the client's financial circumstances and objectives is collected. PWSG reviews and analyzes the information provided by the client and then creates a written financial plan containing recommendations, which are designed with the intention of achieving the clients' stated financial goals and objectives.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to PWSG. Clients are advised that certain assumptions will be made with respect to interest and inflation rates, use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. PWSG cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives, or needs change, the client must notify PWSG promptly.

Financial Planning/Consulting Services are provided on a non-discretionary basis. Non-discretionary means PWSG provides recommendations to the client and the client makes the ultimate decision of whether to implement the recommendation, including the purchase or sale of investments. Clients are free at all times to accept or reject any or all recommendations made by PWSG and further retain the authority and discretion on whether or not to implement the written plan. If the client decides to follow the written plan, the client has the option, but is under no obligation, to request that PWSG implement the recommendations outlined in the written plan.

Those clients who wish to engage PWSG for implementation of the written plan will be required to enter into a separate written agreement with PWSG for its Investment Management Services. In accordance with the separate agreement, PWSG will be paid separate and additional fees based on client account assets that are managed by PWSG (see Investment Management Services below).

When providing financial planning and consulting services, PWSG advisory representatives will recommend, dependent on a client's needs, certain investment and/or insurance products (e.g., mutual

funds, 529 plans, and personal insurance). Because certain advisory representatives of PWSG are insurance agents and generally receive compensation when a PWSG client purchases such personal insurance products, providing those recommendations create a conflict between the interest of the PWSG advisory representative and the interests of the client. As stated above, clients have full discretion to accept or reject PWSG's recommendations at any time and are not required to implement any such personal insurance recommendations through PWSG, its representatives, or insurance agency with which the representatives are affiliated. Please see Item 10 for further information on these conflicts, including how PWSG addresses such conflicts.

Please see Item 5 - Fees and Compensation for a detailed description of PWSG's fees for Financial Planning/Consultation Services.

**Pension Consulting Services** - PWSG offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting services can include, but are not limited to:

- identifying investment objectives and restrictions
- providing guidance on various asset classes and investment options
- recommending money managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of money managers and investment options and making recommendations for changes
- recommending other service providers, such as record-keepers, custodians, administrators, and broker-dealers
- creating a written pension consulting plan

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants. These services provide pension-consulting services to employee benefit plans (e.g., pension plans, profit sharing plans) and their fiduciaries based upon an analysis of the needs of the plan and in accordance with a written pension consulting agreement entered into between the plan and PWSG. In general, these services will be provided on a non-discretionary basis, but in some cases can be on a discretionary basis depending on the needs of the client. During the initial client consultation, PWSG will provide general advice to employers and their key executives on developing and structuring compensation, retirement, and benefit plans. Additionally, PWSG will provide general one on one guidance to plan participants and provide group education.

For services provided on a non-discretionary basis, PWSG will perform the analysis and discuss recommendations with each client. Clients are free at all times to accept or reject any recommendations made by PWSG and also retain the authority and discretion on whether or not to implement any of PWSG's recommendations. If the client decides to implement some or all of PWSG's recommendations, the client has the option, but is under no obligation, to request that PWSG implement such recommendations. Those clients who wish to engage PWSG for implementation of PWSG's recommendations will be required to enter into a separate written agreement with PWSG for its Investment Management Services. In accordance with the separate agreement, PWSG will be paid separate and additional fees based on the client's account assets that are managed by PWSG.

For client accounts that are regulated under the Employee Retirement Income Securities Act ("ERISA"), PWSG will provide Pension Consulting Services to the plan fiduciaries as described above. Typically, as described above, the client must make the ultimate decision as to whether or not to implement PWSG's recommendations and is free to seek independent advice about the appropriateness of any recommended services for the plan.

Please see Item 5 - Fees and Compensation for a detailed description of PWSG's fees for Financial Planning Services.

**Financial Institution Consulting Services** - PWSG provides investment consulting services to certain broker-dealer customers ("Brokerage Customers") of Mutual Securities, Inc. ("Mutual Securities"), a broker-dealer, member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Brokerage Customers provide written consent to receive the firm's consulting services. Brokerage Customers enter into a written advisory agreement with PWSG.

### **Information Relating to PWSG's Services**

**Information Received by Clients** - At the onset of the client relationship, PWSG gathers information on each client's investment objectives, risk tolerance, time horizons, tax status, liquidity requirements, and any other information deemed necessary to assist PWSG in providing its investment advisory services ("Investment Guidelines").

PWSG does not assume responsibility for the accuracy of the information provided by the client and is not obligated to verify any information received from the client or from any of the client's other professionals (e.g., attorney, accountant, etc.). The client is responsible for informing PWSG of any changes to his/her investment objectives, individual needs, and/or restrictions. Prior to entering into an investment management agreement with PWSG, a client should carefully consider:

- that volatility from investing in the stock market can occur; and
- that over time the client's assets will fluctuate and at any time can be worth more or less than the amount invested

In the event that a client notifies us of changes, we will review such changes and implement any necessary revisions to the client's portfolio.

Clients can impose reasonable guidelines and/or restrictions on investing their assets. For example, a client can specify that the investment in a particular stock (or derivative of such stock) is prohibited or that specific investments should not exceed a set percentage of the value of the portfolio. All such guidelines and restrictions must be communicated to PWSG in writing. There could be times, however, when certain restrictions are placed by a client, which prevents us from accepting or continuing to manage the account. PWSG reserves the right to not accept and/or terminate management of a client's account if it feels that the client-imposed restrictions would limit or prevent it from carrying out its investment strategies.

**Client Agreements and Disclosures** - Each client is required to enter into a written agreement with a PWSG IAR setting forth the terms and conditions under which the firm shall render its services (the "Agreement"). In accordance with applicable laws and regulations, the PWSG IAR will provide a copy of the disclosure brochure (ADV Part 2A), brochure supplement (ADV Part 2B), Form CRS (ADV Part 3), and Privacy Policy to each client prior to or contemporaneously with the execution of the Agreement. The Agreement between the PWSG IAR and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. PWSG's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither PWSG, the IAR, nor the client can assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of PWSG shall not be considered an assignment.



PWSG will provide investment advisory services but will not provide custodial or other administrative services. At no time will PWSG or the IAR accept or maintain custody of a client's funds or securities. The client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer, unless otherwise negotiated.

#### **Wrap Program**

PWSG does not sponsor or manage any wrap programs at this time.

#### **Assets Under Management ("AUM")**

As of December 31, 2022, PWSG managed \$115,701,915.05 in discretionary assets and \$15,557,192.02 in non-discretionary assets for a total of \$131,259,107.07 in assets under management.

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

As described in greater detail below, PWSG charges different types of fees, including fees based on a percentage of AUM, fixed fees, and hourly fees. The specific fees charged by PWSG for its Investment Management, Financial Planning/Consulting, and Pension Consulting Services will be set forth in each client's Agreement.

Fees can be negotiable under certain circumstances at the sole discretion of PWSG. In addition, PWSG has full discretion to waive its advisory fees in their entirety. Although PWSG believes its advisory fees are competitive, clients should be aware that lower fees for comparable services could be available from other sources.

#### **Investment Management Services Fees**

PWSG charges annual advisory fees up to 2.0% of a client's AUM for Investment Management Services. Our fees are subject to negotiation based upon factors including the amount of AUM (we will consider all accounts under management for the client's household), and the complexity of the services that will be provided. The annual advisory fees are charged on a pro rata quarterly basis in arrears and calculated based on the closing market value of the account on the last day of the calendar quarter, including cash and cash equivalents.

Should a client open an account during the quarter, management fees will be prorated for assets managed for a partial quarter based on the number of days remaining in the quarter. Assets deposited or withdrawn by the client between billing cycles will be assessed an investment advisory fee based only upon the number of days the assets are in the account. In the event that PWSG's services are terminated mid quarter; the annual fee shall be prorated through the date of termination as defined in the Agreement and any pre-paid unearned fees will be promptly refunded to the client.

Payment for PWSG's investment management fees will be deducted from each client's account on a quarterly basis by their custodian and paid directly to us, unless otherwise directed in writing by a client. The consent for deduction of fees is generally contained in the Agreement. Clients' custodians will deliver a periodic (at least quarterly) account statement directly to clients, which will include all transactions that took place in the account during the period covered and reflect any fees deducted and paid to us.

In addition to PWSG's investment advisory fee, the client shall also incur, relative to mutual fund purchases, charges imposed directly at the mutual fund level (i.e., fund advisory fees and expenses). The Investment Advisory Agreement between PWSG and the client will continue in effect unless terminated by either party

by written notice in accordance with the terms and conditions of the applicable agreement. PWSG's investment advisory fee will be prorated through the date of termination. If the investment advisory fee was paid in advance, a pro-rata refund will be sent to the client and if the investment advisory fee is charged in arrears, the pro-rata fee due will be charged directly to the client's account or invoiced to the client.

There are times when PWSG recommends that a client utilize a margin account. The use of margin in an investment management account will likely increase a client's asset-based fee. If margin is used to purchase additional securities, the total value of eligible account assets increases, as does the client's asset-based advisory fee paid to the Firm. In addition, clients will be charged margin interest on the debit balance in their account. Notably, the increased asset-based advisory fee that a client pays presents a conflict since there is an incentive for PWSG to recommend the use of margin. However, please note that using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk. Please refer to Item 8 below for further information on the risks surrounding margin accounts.

#### **Financial Planning/Consulting Services Fees**

An anticipated fixed fee between \$2,500 and \$10,000 or an hourly fee at a rate of \$350 per hour will be charged for Financial Planning/Consulting Services. The fee for Financial Planning/Consulting Services is negotiable based upon the estimated amount of time anticipated to complete the requested services, and the complexity of the services to be provided.

PWSG will provide the client with the estimated cost to complete the requested Financial Planning/Consulting Services before commencing such services. One-half of the estimated cost is generally due and payable at the time the client's agreement is executed, and the remainder of the fee is due upon presentation of a financial plan or the rendering of consulting services; however, PWSG does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.

A fee payment schedule can be negotiated dependent on the scope of Financial Planning/Consultation Services.

Financial plans or consultations will be completed within 6 months of the contract date.

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

PWSG charges annual advisory fees up to 2.0% for Pension Consulting Services; however, fees are negotiable and arrangements with any particular client can differ from those described above. The annual fee is billed quarterly in arrears based upon the market value of the assets on the last day of the prior quarter. Fees will be assessed pro rata in the event the pension consulting agreement is executed at any time other than the first day of a billing period.

Pension consulting fees are withdrawn directly from the client's accounts with client's written authorization or can be invoiced and billed directly to the client and clients can select the method in which they are billed.

In the event that PWSG's services are terminated mid-quarter, the fee shall be prorated through the date of termination as defined in the Agreement and any earned, unpaid balance will be immediately due and payable by client, and any pre-paid unearned fees will be promptly refunded to the client.

#### **Financial Institution Consulting Services**

PWSG receives a consulting fee based on the AUM from Brokerage Customers who have provided written

consent to Mutual Securities to receive the investment consulting service from PWSG and have entered into a written advisory contract with PWSG. The consulting fee is calculated from the AUM as of the end of a calendar quarter period multiplied by the annualized rate of forty-one (41) basis points. The initial fee is paid only after the completion of one full calendar quarter period following the date of the executed agreement with Mutual Securities.

### **General Information Concerning Fees**

The actual fees charged a client will be outlined in the written agreement entered into between PWSG and the client.

All fees paid to PWSG for the various services it provides to clients are separate and distinct from the fees and expenses charged by third parties. These separate fees and expenses include, but are not limited to, custodial fees, execution costs, and mutual fund fees and expenses. Client assets can also be subject to transaction fees, brokerage fees and commissions, retirement plan administration fees (if applicable), trustee fees, 12b-1 fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. For mutual funds and exchange traded funds, a client will be charged internal management fees, distribution fees, redemption fees and other expenses, which are fully described in the applicable fund's prospectus. Notably, PWSG will not receive any portion of these other fees and expenses.

A client could invest in securities directly, without the services of PWSG. In some cases, this will also be the case with certain insurance products. In that case, the client would not receive the services provided by PWSG which are designed, among other things, to assist the client in determining which securities and/or insurance product is/are most appropriate to the client's financial condition and objectives. Accordingly, the clients should review both the fees charged by financial services companies and the fees charged by PWSG to fully understand the total amount of fees to be paid by the clients. This will help in the evaluation of the advisory services being provided.

In certain situations, as described above, PWSG can enter into a different type of fee agreement with certain of its clients under which those clients' portfolios will be managed differently from the majority of PWSG's clients and the fees paid by these certain clients can differ from the fees paid by the majority of clients. The specific services to be provided and corresponding fees for services will be specifically disclosed in the agreement between PWSG and the client. These clients can have different objectives, require more or less planning, and have more complexity in their planning. These clients can request investment management or financial planning/consulting only services, which would differentiate from the typical arrangement outlined in the standard investment advisory agreement.

**Mutual Fund and ETF Fees** - PWSG invests in mutual funds, including open-end funds and ETFs in client portfolios. Each mutual fund charges fees to shareholders, which are described in their respective prospectus and usually include a management fee, administrative and operations fees, and certain distribution (e.g., 12b-1 fees) and/or redemption fees. These fees are generally referred to as a fund's "expense ratio" and the fees are deducted at the mutual fund level when calculating the fund's net asset value ("NAV") and have a direct bearing on the fund's performance. Certain mutual funds also charge an up-front or back-end sales charge. In addition, some open-end mutual funds offer different share classes of the same fund, and one share-class can have a higher expense ratio than another share class. The most economical share class will depend on certain factors, including the amount of time the shares are held by a client and the amount a client will be investing. Mutual fund expense ratios vary by mutual fund, so it is important to read the mutual fund prospectus to fully understand all the fees charged. The fees charged by

mutual funds are in addition to the advisory fees charged by PWSG and other third-party fees.

PWSG will strive to purchase, when available, the lowest cost mutual fund share class for clients. In addition, for new clients that hold any mutual funds upon account opening, PWSG will determine whether such mutual fund remains suitable for the client's current objective and if we believe it is, then we will check to see if a lower cost share class is available and transfer the client's mutual fund holding into such share class. There have been times in the past, and can be in the future, when PWSG does not have access to lower costs share classes. This mainly happens when the client's custodian does not offer a lower cost share class for some or all of the mutual funds bought for and/or held in clients' accounts, or the investment amount does not meet the share class minimum investment requirement. Transaction fees also play a role in the overall costs when investing in mutual funds. Some custodians offer certain higher cost mutual funds share classes for purchase at no transaction cost. Therefore, PWSG will purchase a more expensive share class anytime PWSG has determined, based on facts and circumstances, that such transaction would be the most economical for a client. PWSG also will transfer a client into a lower cost share class at a later date if we determine it is beneficial for the client. The fees charged to a client's account lowers the overall performance of the account. Therefore, clients should review all applicable direct and indirect fees charged, including but not limited to custodian fees, transaction fees, fees associated with investments (e.g., mutual funds and ETFs), and advisory fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**ERISA Accounts** - PWSG is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, PWSG will only charge advisory fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower fees for comparable services can be available from other investment advisory or financial planning firms.

#### **Additional Information about PWSG's Fees**

All IARs of PWSG are independent contractors of PWSG. As independent contractors they offer advisory services to their own clients with whom they have an investment advisory agreement. PWSG does have internal fee arrangements where fees are split among advisors who co-advise an account based on an agreed upon fee schedule.

As outlined in Item 4 above, when providing financial planning and consulting services, PWSG investment advisory representatives will recommend, dependent on a client's needs, certain investment and/or insurance products (e.g., mutual funds, 529 plans, and personal insurance). Because certain advisory representatives of PWSG are also insurance agents and can receive compensation when a client purchases such products, providing the recommendations creates a conflict between the interest of the PWSG investment advisory representative and the interests of the client. Clients have full discretion to accept or reject PWSG's recommendations at any time and are not required to implement such recommendations through PWSG, its representatives, or any insurance agency with which the representatives are affiliated.

Clients should review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower fees for comparable services can be available from other

investment advisory or financial planning firms.

Please see Item 10 for further information on these conflicts, including how PWSG addresses such conflicts.

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

PWSG does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

PWSG generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Pension and profit-sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above
- Broker/dealers

All clients are required to execute an investment advisory agreement for services in order to establish a client arrangement with a PWSG investment advisor.

#### **Minimum Investment Amounts Required**

There are no minimum investment amounts or conditions required for establishing an account managed by PWSG.

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

#### **Methods of Analysis**

PWSG uses the following methods of analysis in formulating investment advice:

**Charting** - Charting is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

**Cyclical** - This is a method of analyzing the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

**Fundamental** - This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and

management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

**Technical** - This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

### **Investment Strategies**

PWSG uses the following investment strategies when managing client assets and/or providing investment advice:

**Long term purchases** - Investments held at least a year.

**Short term purchases** - Investments sold within a year.

**Trading** - Investments sold within 30 days.

**Short sales** - A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.

**Margin transactions** - When an investor buys a stock on margin; the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor can buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from PWSG.

**Option writing including covered options, uncovered options, or spreading strategies** - Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

### **Use of Primary Method of Analysis or Strategy**

PWSG's primary method of analysis or strategy is fundamental analysis. Some of the risks involved with using this method include reliance on data provided by individual companies, geopolitical events, and changing macro and micro economic data. PWSG uses fundamental analysis of an underlying investment to make decisions such as the amount of time to hold the investment, whether or not to use an options strategy to increase the yield or manage downside risk of an investment. Also, the long or short-term holding period of an investment can be affected if one of the components of fundamental analysis changes.

PWSG's secondary method of analysis or strategy is technical analysis. PWSG uses technical analysis to determine when to buy or sell certain investments. The primary risk to trading based upon technical analysis is that technical indicators can change quickly in volatile markets. Consequently, clients can

experience higher volumes of trading in their accounts during volatile market periods.

### **Risk of Loss**

Past performance is not indicative of future results. You should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there can be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- **Market Risk** - Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** - Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk**. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company could be reduced.
- **Fixed Income Risk**. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk** - When you invest in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- **Management Risk** - Your investment with our firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

- **Margin Risk:** When purchasing securities, the securities can be paid for in full, or it is possible to borrow part of the purchase price from the client's account custodian or clearing firm. If borrowing funds in connection with the client account, the client will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to the client. If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in the account. The brokerage firm will issue a margin call and/or sell other assets in your account. It is important that each client fully understands the risks involved in trading securities on margin, which are applicable to any margin account that the client maintains. These risks include the following:
  - The client can lose more funds than deposited in the margin account;
  - The account custodian or clearing firm can force the sale of securities or other assets in the account.
  - The account custodian or clearing firm can sell the client's securities or other assets without contacting the client.
  - The client is not entitled to choose which securities or other assets in the margin account will be liquidated or sold to meet a margin call.
  - The account custodian or clearing firm can move securities held in a cash account to the margin account and pledge the transferred securities.
  - The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide the client advance written notice; and/or
  - The client is not entitled to an extension of time on a margin call.
- **Options Risk:** Below are some of the main risks associated with investing in options:
  - When writing covered call options to produce income for a client's account, there will be times when the underlying stock is "called" (call option contract exercised or assigned) by the investor that purchased the call option. That means the client would be required to sell the underlying security at the exercise (pre-determined) price to that investor.
  - Clients can be required to open a margin account in order to invest in options, which carries additional risks (see above for details) and could result in margin interest costs to the client.
  - Option positions can be adversely affected by company specific issues (the issuer of the underlying security) which can include but are not limited to bankruptcy, insolvency, failing to file with regulatory bodies, being delisted, having trading halted or suspended, corporate reorganizations, asset sales, spin offs, stock splits, mergers, and acquisitions. In addition, market related actions, political issues, and economic issues can adversely affect the option market. These factors could restrict, halt, suspend, or terminate option positions written (sold) or purchased
  - Changes in value of the option may not correlate with the underlying security, and the account could lose more than principal amount invested.
  - Options involve risk and are not suitable for all clients. Therefore, a client should read the option disclosure document, "Characteristics and Risks of Standardized Options", which can be obtained from any exchange on which options are traded, at [www.optionsclearing.com](http://www.optionsclearing.com), or by calling 1-888-OPTIONS, or by contacting your broker/custodian.



Prior to entering into an investment advisory agreement with PWSG, a client should carefully consider: (1) that volatility from investing in the stock market can occur; and (2) that over time the client's assets will fluctuate and at any time be worth more or less than the amount invested.

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

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of PWSG's business or integrity.

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

PWSG is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, (8) insurance company or agency, (9) pension consultant, (10) real estate broker or dealer, or (11) sponsor or syndicator of limited partnerships .

#### **Other Business Activities**

Unless otherwise directed by a client with respect to such client's account, PWSG generally directs the securities transactions for its advisory clients through Schwab Institutional. PWSG believes that it provides best execution for those client transactions it effects through Schwab Institutional as well as other firms. Please refer to Item 12 for further information on PWSG's brokerage practices.

On occasion, when suitable and in the best interest of a client, PWSG will direct certain clients to American Funds Services, Inc. There are times when a PWSG IAR will recommend American Funds Services Inc., based on a client's needs to open 529 accounts, or mutual fund only accounts to maintain accounts for these transactions.

When providing financial planning services to PWSG clients, there are times when a PWSG IAR will recommend, based on a client's needs, the purchase of certain personal insurance products. Should a PWSG client decide to purchase the insurance, then the PWSG IAR will receive commissions for selling the insurance products(s). This activity creates a conflict of interest as the PWSG IARs have an incentive to recommend personal insurance products due to the compensation received. While the PWSG IARs endeavor at all times to put the interest of PWSG clients first as a part of the firm's overall fiduciary duty to clients, PWSG clients should be aware that the receipt of commissions and additional compensation can affect the IAR's decision-making process when making recommendations. Importantly, PWSG clients can accept or reject recommendations made by PWSG IARs at any time and are not required to implement such recommendations through the PWSG IAR.

PWSG has an agreement with Mutual Securities to provide investment consulting services to Brokerage Customers. Mutual Securities pay compensation to PWSG for providing investment consulting services to Brokerage Customers. This consulting arrangement does not include assuming discretionary authority over Brokerage Customers' brokerage accounts or the monitoring of securities. These consulting services offered to Brokerage Customers typically include a general review of Brokerage Customers' investment holdings, which may or may not result in PWSG's and/or its' IARs making specific securities recommendations or offering general investment advice.

This relationship presents conflicts of interest. Potential conflicts are mitigated by Brokerage Customers consenting to receive investment consulting services from PWSG; by PWSG not accepting or billing for additional compensation on the broker/dealers' AUM beyond the consulting fees disclosed in Item 5 in connection with the investment consulting services; and by PWSG not engaging as, or holding itself out to the public as, a securities broker/dealer. PWSG is not affiliated with any broker/dealer.

PWSG addresses these conflicts of interest by requiring its supervised persons to act in the best interest of the client at all times, including when acting as an insurance agent. PWSG periodically reviews recommendations made to PWSG clients by its supervised persons to assess whether they are based on an objective evaluation of each client's risk profile and investment objectives rather than on the receipt of any commissions or other benefits. PWSG discloses, mainly via our Form ADV Part 1, Part 2A, Part 2Bs and Form CRS, how the firm and its supervised persons are compensated, along with the conflicts of interest involving any advice or service provided. At no time will there be tying between business practices and/or services; a condition where a client or prospective client would be required to accept one product or service conditioned upon the selection of a second, distinctive tied product or service.

No PWSG client is ever under any obligation to purchase, sell or use any advisory, insurance, securities, or brokerage products or services with any supervised person of PWSG. Advisory services and insurance and/or securities products or brokerage services recommended by PWSG supervised persons could also be available from other providers on more favorable terms, and clients can purchase advisory services, insurance, and securities products, and/or brokerage services recommended through other, un-affiliated investment advisers, insurance agencies and/or broker-dealers.

Clients are encouraged to ask PWSG representatives any questions you have regarding investment advisory services, insurance, securities, and/or brokerage products or services recommended by PWSG supervised persons and these conflicts of interest. PWSG always acts in the best interest of its clients and clients always have the right to decide whether to utilize the services of any PWSG IAR in any capacity.

Further information about these other activities and conflicts of interest is described in each PWSG supervised person's accompanying Form ADV part 2B ("Brochure Supplement").

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<sup>1</sup> See <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-10-questions-consider-before>

<sup>2</sup> See <https://www.investor.gov/introduction-investing/basics/investment-products/annuities>

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

### **Code of Ethics Summary**

PWSG has adopted a Code of Ethics ("Code") which establishes standards of conduct for the firm's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It contains written policies reasonably designed to prevent the unlawful use of material non-public information by PWSG or any of its supervised persons. The Code also requires that certain of PWSG's personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. In addition, supervised persons are required to report any violations of the Code promptly to PWSG's Chief Compliance Officer. Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials.

PWSG will provide a copy of its Code of Ethics to any client or prospective client upon request by contacting us at 805-966-7775.

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

It is PWSG's policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

PWSG or individuals associated with PWSG can buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by clients. Alternatively, PWSG can cause clients to buy a security in which PWSG or such individuals have an ownership position. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Nevertheless, such practices present potential conflicts of interest. To mitigate these conflicts, PWSG has adopted a Code of Ethics, which outlines the procedures regarding personal trading that must be followed (see details below). Additionally, as part of PWSG's fiduciary duty to clients, PWSG and its supervised persons will endeavor at all times to put the interests of the clients first and at all times are required to adhere to PWSG's Code of Ethics.

### **Personal Trading**

PWSG and its officers, directors, agents, and employees ("Associated Persons") can invest personally in securities of the same classes as are purchased for clients and can own securities of the issuers whose securities are subsequently purchased for clients. PWSG understands that this could create a conflict of interest, where the employee's interest can be at odds with the interest of PWSG's clients. To help mitigate these conflicts of interest, PWSG's Code of Ethics sets forth certain standards of business and professional conduct regarding the personal trading activities of its Associated Persons. The following summarizes our procedures for the purchase and or sales of securities held within personal accounts.

- PWSG requires quarterly reporting of all personal securities transactions with the exception of certain exempt transactions and securities (such as government securities and open-end mutual funds). Associated Persons or those members with a beneficial interest, such as immediate family members, cannot buy or sell securities for their personal portfolio(s) where their decision is derived in whole or in part, by material non-public information.
- Investment opportunities must be offered first to clients before PWSG, or Associated Persons can participate in such transactions. Furthermore, security holdings and financial circumstances of clients must be kept confidential.
- Associated Persons cannot participate in private placements or initial public offerings (IPOs) without pre-clearance from PWSG's Chief Compliance Officer.
- Records will be maintained of all securities bought or sold by PWSG, Associated Persons of PWSG, and related entities and shall be reviewed periodically by the CCO or designee.
- Any individual not in observance of the above could be subject to termination.

PWSG and its Associated Persons can also buy or sell specific securities for their own accounts based on personal investment considerations, which PWSG does not deem appropriate to buy or sell for clients.

## **Item 12 - Brokerage Practices**

### **The Custodians and Brokers We Use**

PWSG does not maintain custody of your assets that we manage (although we are deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 - Custody, below).

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. PWSG recommends that our clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. PWSG is independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when PWSG instructs them to. While PWSG recommends that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, but we do help facilitate the process. The final decision to custody assets with Schwab is at the discretion of PWSG's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder.

For certain client transactions PWSG will recommend American Funds Services, Inc. Clients typically use American Funds Services, Inc. for holding 529 or direct mutual fund accounts.

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab")

Clients have no obligation to open accounts with any custodial broker-dealers that PWSG recommends. In limited situations PWSG has in the past and can in the future accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. In the event that a client directs PWSG to use a particular broker or dealer, the client will negotiate terms and arrangements for the account with that broker-dealer, and PWSG will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by PWSG. Additionally, in directed brokerage situations, PWSG will have limited ability to ensure the broker-

dealer selected by the client will provide best possible execution.

As a result, the client could pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

PWSG does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

PWSG does not recommend, request, or require that a client direct it to execute transactions through a specified broker-dealer.

### **Client Custody and Brokerage Costs**

For clients' accounts maintained at Schwab, Schwab generally does not charge separately for custody services but is compensated by charging the client commissions or other fees on trades that it executes or that settle into the client's Schwab account. Schwab's commission rates applicable to clients' accounts were negotiated based on PWSG's commitment to maintain a minimum amount (\$10 million or more) of our clients' assets in accounts at Schwab. This commitment benefits the client because the overall commission rates a client pays are lower than they would be if PWSG had not made the commitment. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that PWSG has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's Schwab account. These fees are in addition to the commissions or other compensation a client pays the executing broker-dealer. Because of this, in order to minimize a client's trading costs, PWSG has Schwab execute all trades for your account.

### **Products and Services Available to PWSG from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like PWSG. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting and related services—many of which are not typically available to Schwab retail clients. Schwab also makes available various support services. Some of those services help PWSG 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 PWSG 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, then Schwab can charge us quarterly service fees. Here is a more detailed description of Schwab's support services:

Services that Benefit the Client — 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 PWSG could not otherwise have access or that would require a significantly higher minimum initial investment by PWSG's clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

Services that May Not Directly Benefit the Client — Schwab also makes available to PWSG other products and services that benefit PWSG but will not directly benefit our clients. These products and services assist PWSG in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. PWSG can 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 the Advisor's fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

Services that Generally Benefit Only PWSG — Schwab also offers other services intended to help the Advisor 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.

In some cases, Schwab provides these services itself. In other cases, it will arrange for third-party vendors to provide the services to PWSG. There also are times when Schwab will discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab can also provide PWSG with other benefits such as occasional business entertainment of our personnel, although to date no such benefit has been provided.

Our Interest in Schwab's Services — The availability of these services from Schwab benefits PWSG because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. Beyond that, these services are not contingent upon PWSG committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum gives us an incentive to recommend that clients maintain their accounts with Schwab based on PWSG's interest in receiving Schwab's services that benefit our business rather than based on a client's interest in receiving the best value in custody services and the most favorable execution of their transactions. This is a potential conflict of interest. PWSG believes, however, that our selection of Schwab as a broker/custodian is in the best interests of our clients. It is primarily supported by the scope, quality, and price of Schwab's services (based on the factors discussed above — see "How We Select Brokers/Custodians") and not Schwab's services that benefit only the Advisor. We do not believe that maintaining at least \$10 million of our clients' assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **Best Execution**

It is the policy and practice of PWSG to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, PWSG will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although PWSG will strive to achieve the best execution possible for client securities transactions, this does not require it to solicit competitive bids and PWSG does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while PWSG will seek competitive rates, it does not necessarily obtain the lowest possible commission rates for client transactions. PWSG is not required to negotiate "execution only" commission rates, thus the client can be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission/transaction fee rate.

To ensure that brokerage firms recommended by PWSG are conducting overall best qualitative execution, PWSG will periodically (and no less often than annually) evaluate the trading process and brokers utilized. PWSG's evaluation will consider the full range of brokerage services offered by the brokers, which includes, but is not limited to price, commission, timing, research, ability to aggregate trades, capable floor brokers or traders, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, administrative ability, custody, and any services provided to client and/or PWSG.

**Research and Other Soft Dollar Benefits** - Our general policy is to comply with the provisions of Section 28(e) of the Exchange Act ("Section 28(e)") when entering into soft dollar arrangements. Section 28(e) allows investment advisers to use client commissions to pay for brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. This practice is commonly referred to as "soft dollars". Brokerage and research services can include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing research information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal services, credit analysis; risk measurement analysis and performance analysis. Such research information can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management and attending conferences. The research services provided by a broker can be proprietary (i.e., provided by the broker providing the execution services) and/or provided by a third party (i.e., originates from a party independent from the broker providing the execution services).

As permitted under Section 28(e), we can cause clients to pay brokerage commissions that are in excess of commissions that another broker might have charged for effecting the same transaction, but only in circumstances where we have made a good faith determination that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services received. We view this in terms of either the specific transactions or our overall responsibility to the accounts for which we exercise investment discretion.

Section 28(e) also permits us to use the research services provided by brokers to service any or all of our clients, and the services also can be used in connection with clients other than those making the payment of commissions.

PWSG has access to proprietary research from Schwab due to the fact that our client's custody their account assets with them. In addition, we receive certain other indirect benefits from Schwab due to this arrangement, which are outlined in Item 14B below and could be deemed to fall outside the safe harbor of Section 28(e).

Importantly, clients should understand that the use of soft dollars by PWSG could be deemed to be an indirect economic benefit to us, which creates a conflict of interest between us and our clients. To address this conflict of interest, we perform periodic reviews of the quality of execution and services provided by Schwab (and other broker custodians) to help ensure that clients are receiving the best overall deal (also known as "best execution").

PWSG does not currently have any other soft dollar arrangements in place.

**Directed Brokerage** — In limited situations PWSG can accept written direction from a client (regarding the use of a particular broker-dealer to execute some or all transactions for the client. In the event that a client directs PWSG to use a particular broker or dealer, the client will negotiate terms and arrangements for the account with that broker-dealer, and PWSG will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by PWSG (as described below). Additionally, in directed brokerage situations, PWSG will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client could pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PWSG can decline a client's request to direct brokerage if, in our sole discretion, we believe such directed brokerage arrangement would not be beneficial to a client.

### **Trade Errors**

PWSG has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of PWSG to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client

will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client could be unable to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by PWSG if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for handling the trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. PWSG can also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

PWSG will never benefit or profit from trade errors.

### **Trade Aggregation and Allocation**

Transactions implemented by PWSG for client accounts are generally effected independently unless the firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the firm when PWSG believes such action may prove advantageous to clients. When PWSG aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when Orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When PWSG determines to aggregate client orders for the purchase or sale of securities, including securities in which PWSG may invest, the firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital Doc*. It should be noted, PWSG does not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 — Review of Accounts**

### **Periodic Reviews**

Accounts are monitored on an ongoing basis, which includes detailed periodic reviews. The frequency of reviews is at the discretion of PWSG, but accounts are typically reviewed no less than quarterly. Accounts are reviewed for performance, consistency with the investment strategy and client objectives, and other account parameters in order to determine if any adjustments need to be made. All reviews are performed by Erin Neil, President and Chief Compliance Officer; Jeffery Brookshire, Investment Adviser Representative; and Graham Guess, Investment Adviser Representative.

### **Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews can be triggered by changes in an account holder's investment objectives and/or personal, tax or financial status. Account holdings also are reviewed when changing market conditions warrant such review. Clients are encouraged to notify PWSG of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### **Statements and Reports**

Clients will receive transaction confirmations and monthly or quarterly statements from their account custodians. Collectively, these reports will list client's account holdings, transactions and fees paid to PWSG. Clients will receive quarterly consolidated statements from PWSG that include reporting from their custodians, and in certain cases insurance companies, pension companies and/or alternative investment accounts.



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

### **Economic Benefits Received**

As discussed under Item 12, PWSG can enter into soft dollar arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist PWSG in its investment decision-making process. The receipt of such services could be deemed to be the receipt of an economic benefit by PWSG, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client's interest in receiving most favorable execution. PWSG does not currently have any other soft dollar arrangements in place.

PWSG generally recommends that clients use Schwab as their custodian and broker of record. While there is no direct link between the investment advice given to clients and PWSG's recommendation to use Schwab as their custodian, certain benefits are received by PWSG due to this arrangement. Schwab makes available to PWSG other products and services that benefit PWSG but could possibly not benefit our clients' accounts. Some of these other products and services assist PWSG in managing and administering clients' accounts. These include software and other technology 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), provide research, pricing information and other market data, facilitate payment of PWSG's fees from our clients' accounts, and assist with back-office functions, recordkeeping, and client reporting. Many of these services generally can be used to service all or a substantial number of our clients' accounts. Schwab also makes available to PWSG other services intended to help us manage and further develop our business enterprise. These services can include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab can make available, arrange, and/or pay for these types of services rendered to PWSG by independent third parties. Schwab can 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 PWSG. While as a fiduciary, PWSG endeavors to act in its clients' best interests, our requirement that clients maintain their assets in accounts at Schwab is based in part on the benefit to PWSG of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which can create a potential conflict of interest.

### **Compensation for Client Referrals**

Currently, PWSG does not have any solicitation or referral arrangements in place. However, PWSG can in the future enter into agreements with individuals and organizations, some of whom could be affiliated or unaffiliated with PWSG that refer clients to PWSG. All such agreements will be in writing and comply with the applicable state and federal regulations. If a client is introduced to PWSG by a solicitor, PWSG can pay that solicitor a fee and require solicitor registration in accordance with applicable federal and state securities law requirements. While the specific terms of each agreement can differ, generally, the compensation will be based upon PWSG's engagement of new clients and the retention of those clients and would be calculated using a varying percentage of the fees paid to PWSG by such clients until the account is closed by written authorization from the client. Any such fee shall be paid solely from PWSG's investment management fee and shall not result in any additional charge to the client.

Each prospective client who is referred to PWSG under such an arrangement will receive a copy of PWSG's ADV Part 2A and a separate written disclosure document disclosing the nature of the relationship between the third-party solicitor and PWSG and the amount of compensation that will be paid by PWSG to the third-party solicitor. Solicited clients will be required to sign an acknowledgment of receipt of PWSG's disclosure brochure and the solicitor's written disclosure statement.

### **Other Compensation**

As discussed in Items 4 and 5 above, All IARs of PWSG are independent contractors of PWSG. As independent contractors they offer advisory services to their own clients with whom they have an investment advisory agreement. PWSG does have internal fee arrangements where fees are split among advisors who co-advise an account based on an agreed upon fee schedule and the IAR.

## **Item 15 — Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

PWSG is deemed to have custody of client funds and securities whenever PWSG is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody PWSG will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which PWSG is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from PWSG. When clients have questions about their account statements, they should contact PWSG or the qualified custodian preparing the statement.

## **Item 16 — Investment Discretion**

Through its Investment Management Services and upon receiving written authorization from a client, PWSG will maintain trading authorization over client accounts. Upon receiving written authorization from the client, PWSG may implement trades on a discretionary basis. When discretionary authority is granted, PWSG will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction. However, it is the policy of PWSG to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

If you decide to grant trading authorization on a non-discretionary basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including

- The security being recommended.
- The number of shares or units.
- Whether to buy or sell.

Once the above factors are agreed upon, PWSG will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations, and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

## **Item 17 — Voting Client Securities**

PWSG will not vote proxies on behalf of your account. It is your responsibility to vote all proxies for securities held in your accounts that are managed by our firm. All clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by PWSG.

## **Item 18 — Financial Information**

This Item 18 is not applicable to this Disclosure Brochure. PWSG does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet

contractual commitments to clients. Finally, PWSG has not been the subject of a bankruptcy petition at any time  
(Please refer to Information Required by Part 2B of Form ADV. Brochure Supplement for more information)