



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

September 26, 2023

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This wrap fee program brochure provides information about the qualifications and business practices of SWS Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 614-670-5733 or [admin@swspartners.com](mailto:admin@swspartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

You can find more information about SWS Partners, LLC at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm's SEC File No. is 801-107254.

## **Item 2 – Material Changes**

This item is used to provide you with a summary of new and/or updated information. You will receive a summary of any material changes to this brochure within 120 days of the close of our fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. The firm has had the following material change since our last annual filing:

- Effective September 1, 2023, Tina Solomon replaced Christopher Payne as Chief Compliance Officer of SWS Partners, LLC.
- Item 4: Updated the firm's regulatory assets under management.
- Item 6: Updated information surrounding risks involved in the SWS Automated Wrap Fee Program.

You may also obtain a copy of this brochure by contacting Christopher L. Payne, Chief Compliance Officer, by phone at (859) 402-1458, or by email at [tsolomon@keybridgecompliance.com](mailto:tsolomon@keybridgecompliance.com).

Additional information about SWS Partners, LLC is available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

### **About Us**

SWS Partners, LLC (“we,” “us” or “SWS”) is an Ohio limited liability company owned by Kessler Wealth Advisors LLC. Kessler Wealth Advisors LLC is owned by James F. Parker (50%) and Philip Kessler (50%). SWS has been providing investment advisory services since November 2015.

### **Wrap Fee Program Services**

#### ***SWS Automated***

We offer an automated investment program (the “Program”) through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds (“ETFs”) and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“Schwab”). We use the Institutional Intelligent Portfolios® platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of Schwab, to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, Schwab, or their affiliates. We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that helps us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

SWS Automated clients receive the following:

- Investment management on automated platform.
- Two calls per year from financial planner.
- Client can call planner on an unlimited basis.

- Clients receive real-time investment report incorporating performance measurement of the investments via a white-label mobile app from Schwab.

## **Wrap Fee Program Fees**

We charge clients a fee for our services as described below. Our fees are not set or supervised by Schwab.

Investment management on automated platform for fee of 75bps plus cost of ETFs.

There is a minimum \$5000 account size to be enrolled in the SWS Automated program.

We charge wrap fee program clients a single fee calculated as a percentage of the assets in the account. The fee covers investment management services and the costs of executing trades. Clients do not pay brokerage commissions or any other fees to Schwab as part of the Program. Schwab does receive other revenues in connection with the Program.

Our fees are paid quarterly in advance and are based on the market value of the assets in your account at the beginning of the calendar quarter. We will deduct our fees directly from your account at your financial institution. If you have insufficient cash in your account to pay our fee, we may sell certain of your account assets to pay the fee. Fees are pro-rated for partial periods. If you terminate your agreement with us during a quarter, we will refund a pro rata portion of the fee you paid for that quarter, based on the number of days between the end of the notice period and the end of the quarter. If you make a deposit of additional assets into your account (s) during any wrap fee billing period, you may be required to pay an additional wrap fee. However, SWS will not make pro-rata adjustments or refund prepaid wrap fees with respect to a partial withdrawal from your account (s) during a wrap fee billing period. Your initial wrap fee will be deducted from each wrap fee account upon acceptance of your account(s) by SWS.

## **Other Fees**

The wrap fee does not include annual account fees or other administrative fees, such as wire fees, charged by manager or brokerage firm; fees for securities transactions executed away from the custodian; certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in the client's account; and advisory fees, expenses or sales charges (loads) of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in client's account. The wrap fee also does not cover certain costs associated with securities transactions in the over-the-counter market, such as fixed income securities where manager must approach a dealer or market maker to purchase or sell a security. Such costs include the dealer's mark-up, mark-down or spread and odd-lot differentials or transfer taxes imposed by law.

Your account may be invested in exchange traded funds ("ETFs"), other investment companies (like mutual funds), or private investment funds, such as hedge funds and private equity funds. These investment vehicles may charge internal management fees and expenses, which are disclosed in their prospectuses or offering documents. These fees are

not shared with SWS. We evaluate these relative annual costs as a part of our investment decision making process. You could invest in an ETF, other investment company, or private investment fund directly. In that case, you would not receive the services we provide, which are designed in part to help you determine which, if any, investment funds are best suited to your financial condition and objectives. You should review the fees charged by the investment funds and our fees to fully understand the total amount of fees you will pay and to evaluate the advisory services we provide.

## **Compensation for Recommending the Program**

The SWS Automated Wrap Fee Program is a proprietary product offered exclusively through SWS. Please refer to Wrap Fee Program Fees above for disclosure of fees.

## **External Compensation for the Sale of Securities to Clients**

SWS's advisory professionals are compensated primarily through a salary and bonus structure.

## **Assets Under Management**

As of December 31, 2022, SWS managed \$312,517,514 in discretionary assets and \$0 of non-discretionary assets.

## **Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

*Limitation on Mutual Fund Universe for Custodian Investment Programs:* There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

*Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:* Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into

consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

*Additional Disclosure Concerning Wrap Programs:* Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. The firm does not recommend the use of mutual funds in wrap fee programs that carry embedded 12b-1 fees. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available and in what types of programs (wrap or non-wrap) they are most appropriate.

## **Recommending Rollovers and Transfers to SWS Partners**

Our firm has an inherent conflict of interest in recommending you rollover or transfer your accounts to an account managed by SWS since we have an incentive to generate compensation for the firm.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

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

Clients eligible to enroll in the Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

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

### **Portfolio Manager Selection and Review**

The firm is the sole sponsor and sole portfolio manager for the SWS Automated Wrap Fee Program.

### **The Firm Acts as Both a Wrap Fee Sponsor and Portfolio Manager**

The SWS Automated Wrap Fee Program is a proprietary product offered exclusively through the firm.

### **Our Wrap Fee Advisory Services**

#### ***SWS Automated***

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in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

SWS Automated clients receive the following:

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

We do not accept "performance-based fees" (i.e., fees based on a share of capital gains on or capital appreciation of your assets).

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

The investment strategies employed by SWS share a common philosophy: participate in upside asset price momentum while engaging in systematic methods to avoid substantial losses. The use of downside protection strategies, or portfolios designed primarily to win by avoiding substantial losses, is an approach that has shown to benefit portfolio performance over the long-term. We believe that applying systematic, rules-based investment processes focused on aligning portfolio exposures with trends in capital markets may prove to be a successful investment approach. Our investment philosophy is grounded in a disciplined approach to allocating assets consistently based on what we believe to be the highest probability events. SWS's investment focus is not on beating the benchmark year after year. We believe that this approach may expose client portfolios to excessive risk. Instead, the SWS attempts to participate in upside asset class trends while focusing on avoiding material losses that may significantly erode a portfolio's value. We believe this approach may result in portfolio results that beat the benchmark over the long-term, while assuming less risk.

SWS employs both fundamental and technical analysis in developing investment strategies for its clients.

- *Fundamental Analysis.* The success of our strategies depends in large part on our ability to accurately assess the fundamental value of securities and capital markets in general. An accurate assessment of fundamental value depends on a complex analysis of a number of economic, financial, operating, legal and other factors. No assurance can be given that we can assess the nature and magnitude of all material factors having a bearing on the value of securities.
- *Technical Analysis.* In implementing our investment strategies, we may also utilize technical analysis, which is the study of asset prices and their movement as

influenced by the supply and demand for a particular security. Although employing these techniques may expand the opportunity for gain, it also carries the risks of volatility and loss.

Our research and analysis are derived from numerous sources, including financial media companies, third party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and third party research.

When we manage client accounts, we generally employ a long-term investment strategy consistent with our client's financial goals. We typically will hold all or a portion of a security for more than a year, but may hold for shorter periods in order to rebalance a portfolio, meet a client's cash needs, or respond to poor investment performance. In addition, SWS may at times buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class. However, we do not utilize frequent trading. Frequent trading may result in higher transactional costs and may cause deterioration in investment performance. Frequent trading also may cause additional tax consequences (i.e., higher taxes) for the client.

In managing a portfolio, SWS principally recommends investment in ETFs, hedge funds and other investment companies or private investment funds, as well as individual equity securities. These securities may be subject to material loss of principal or loss of principal in its entirety.

- **Risk of Loss**

All investments in securities include a risk of losing your principal (invested amount) and any profits that you have not yet realized. You should be prepared to bear that risk. As you know, the stock and fixed income markets fluctuate substantially over time. In addition, as recent global and domestic economic events have shown, the performance of any investment is not guaranteed.

Our strategies may subject clients to the following risks:

- *Algorithm Risk:* SWS provides this service through the Schwab Institutional Intelligent Portfolios platform. There are limitations inherent in the use of an Algorithm to manage accounts; for instance, the rebalancing algorithms are designed to manage program accounts according to the asset allocation selected for that account and is not designed to actively manage asset allocations based on short-term market fluctuations. The algorithm is designed to allow eligible clients to make a series of recurring withdrawals for a given period of time, but is not designed to ensure the duration of those recurring withdrawals due to factors beyond Schwab's control, including market changes and ad hoc client-initiated withdrawals. The rebalancing algorithms are also not designed to consider certain factors such as short-term asset class volatility or individual tax circumstances such as capital gains taxes; rather, its functions consist of identifying opportunities for tax-loss harvesting and rebalancing and initiating buy/sell orders accordingly.

There is also a risk that the algorithms and related software used in the program for strategy selection, tax-loss harvesting and rebalancing, recurring withdrawals, and related functions may not perform within intended parameters.

- *Correlation Risk:* The price of equity securities and fixed income securities, as well as other asset classes, often rise and fall at different times so that a fall in the price of one may be offset by a rise in the price of the other. In deteriorating markets, the prices of securities within and across asset classes may fall in tandem. Because our strategies allocate investments targeted in one asset class or across asset classes, the strategies are subject to correlation risk.
- *Credit Risk:* Issuers of fixed income securities may not make interest or principal payments on securities, resulting in losses to an investor. In addition, the credit quality of an issuer's securities may be lowered if an issuer's financial condition changes, including the U.S. government.
- *Derivatives Risk:* Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes may produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives or other instruments used by ETFs to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.
- *Diversification Risk:* A client's portfolio may be limited to only a few investments. As a result, the client's performance may be more sensitive to any single economic, business, political or regulatory occurrence, relative to the value of a more diversified portfolio.
- *Emerging Market Risk:* Emerging market countries may have relatively unstable governments, weaker economies and less-developed legal systems with fewer security holder rights. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.
- *ETF Risk:* ETFs are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of the investment strategy will be higher than the cost of investing directly in ETFs. In addition, ETFs are subject to specific risks, depending on the nature of the fund. ETFs are professionally managed pooled investment vehicles that invest in stocks, bonds, short-term money market instruments, other ETFs, derivatives and other securities, or any combination thereof. ETF managers trade fund investments in accordance with fund investment objectives. While ETFs may provide diversification, risks can be significantly increased for funds concentrated in a particular sector of the market, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow

money), or concentrate in a particular type of security rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the day and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values and there is no guarantee this relationship will resolve itself.

- *Fixed Income Risk:* A client's account may be invested in fixed income securities, directly or through ETFs. The credit quality rating of securities may be lowered if an issuer's financial condition deteriorates, and issuers may default on their interest and/or principal payments. Typically, a rise in interest rates causes a decline in the value of fixed income securities.
- *Foreign Investment Risk:* Foreign investing involves risks not typically associated with U.S. investments, including adverse fluctuations in foreign currency values, adverse political, social and economic developments, less liquidity, greater volatility, less developed or less efficient trading markets, political instability and differing auditing and legal standards.
- *Key Personnel Risk:* The success of our strategies depends greatly on the investment skills of our principals and key personnel. Performance of a client's account could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.
- *Leverage Risk:* Leverage (borrowing) may be used in investment and trading, generally through purchasing inherently leveraged instruments, such as certain ETFs. The prices of leveraged instruments can be highly volatile, and investments in leveraged instruments may, under certain circumstances, result in losses that exceed the amounts invested. Borrowing magnifies the potential for losses and exposes the client to interest expense on money borrowed. Leveraged ETFs and derivatives will amplify losses because they are designed to produce returns that are a multiple of the equity index to which they are linked.
- *Leveraged ETF Risk:* ETFs may use leverage, which may amplify gains and losses. Most leveraged ETFs reset their leverage daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark during the same period of time.
- *Market Risk:* Overall equity, fixed income and alternative securities market risks affect the value of a client's portfolio. Factors such as domestic or global economic growth, market conditions, interest rate levels and political events affect the securities markets.
- *Options Risk:* There are numerous risks associated with transactions in options on securities. A decision as to whether, when and how to write options and purchase options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

- *Small and Medium Capitalization Stock Risk:* A client may invest directly or through ETFs in companies of any size capitalization. The price of small or medium-capitalized company stocks may be subject to more abrupt or erratic market movements than larger, more established companies or the major market indices in general.
- *Turnover Risk:* A higher portfolio turnover may result in higher transactional and brokerage costs and could result in higher taxes when a client's investments are held in a taxable account.
- *U.S. Government Securities Risk:* Although U.S. government securities are considered among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.
- *Strategy Risks:* The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.
- *Cyclical Analysis Risk:* Economic/business cycles may not be predictable and may have many fluctuations between periods of economic or market expansion and contraction. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- *Management Risk:* The success of SWS's investment strategies depends to a great extent on the investment skills of SWS's principals and key personnel. Performance could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.

## **Voting Client Securities**

We do not accept authority to vote client securities. Proxy materials generally will be received by you directly or forwarded to you by your Financial Institution. We encourage you to contact your Financial Institution if you have questions related to proxy materials.

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

Clients participating in our wrap fee program generally provide us with certain nonpublic information, and they grant us the authority to discuss such information with the third-party investment managers engaged to manage their accounts. Depending upon the specific arrangement, you may give us, and we may be authorized to disclose, personal information that includes (without limitation) names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. We also may ask you for, and share with third party managers, certain information related to your financial positions, investment objectives, risk tolerance and other information in an effort to ensure that

investment decisions made for your account remain aligned with your best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of our clients' portfolios.

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

We do not impose restrictions on a client's ability to correspond or otherwise communicate with us directly. Our wrap fee program clients generally only communicate with SWS and do not directly contact third party investment managers servicing their accounts.

## **Item 9 – Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

SWS has no legal or disciplinary events to report.<sup>1</sup>

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

We are obligated to disclose whether SWS or any of its officers or employees are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers for you.

Our investment adviser representatives are not registered with a broker-dealer, commodity pool operator or a futures commission merchant or an insurance company or agency.

As a wrap fee account sponsor, we do recommend or select third party investment managers to manage all or a portion of your portfolio. However, we do not receive compensation from those third-party investment advisers for recommending or selecting them.

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

We expect our investment adviser representatives to always act in your best interests, and to place your interests ahead of their own. We have adopted a Code of Ethics (the "Code") that sets forth the standard of business conduct expected from each member of our team.

The Code restricts trading in any security for which we believe we may be privy to material non-public information. It also places restrictions on trading by our managers and investment adviser representatives (which we refer to as "personal trading") to prevent any conflict of interest between personal trading and client trading. The Code limits gifts and entertainment, whether received or given, to avoid conflicts of interests. The Code causes all outside business activities of our team members to be disclosed so that potential conflicts

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<sup>1</sup> We note that registered advisers are required to report, in Part 1A of Form ADV, all disciplinary events regardless of whether they are material. SWS has no disciplinary events of any kind to report.

can be detected and addressed. Finally, it limits the political contributions of our managers and investment adviser representatives to prevent any potential conflicts in that area as well. All our managers, investment adviser representatives and employees must accept in writing the terms of the Code upon employment, annually, and as amended.

We will provide a copy of the Code to any client or prospective client upon request. If you would like a copy, please contact our Chief Compliance Officer at the telephone number or the address specified on the cover page of this brochure.

The strategies we use to manage client accounts also are used to manage accounts maintained by SWS, its members, investment adviser representatives and employees. As a result, we (or our members, investment adviser representatives and employees) may (i) invest in the same securities or related securities (for example, warrants, options or futures) that we recommend to our clients, or, in some cases, follow investment strategies or invest in securities that are different from those recommended to clients; (ii) buy or sell securities for our own accounts at the same time that we recommend, buy or sell the same securities for client accounts; or (iii) include buy or sell orders in an aggregated transaction along with client buy or sell orders. To address any potential conflicts of interest from this practice, we may not trade in a manner that would be adverse or detrimental to client trades, and we always allocate partially filled orders to client accounts before allocating to our accounts.

We do not buy or sell for your account securities in which SWS, or its members, investment adviser representatives or employees, have a material financial interest.

## **Factors Used to Select Broker-Dealers for Client Transactions**

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, Charles Schwab & Co. (“Schwab”), a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use Schwab as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. We do not open the account for the client. If the client does not wish to place his or her assets with Schwab, then we cannot manage the client’s account through the Program. Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. Through Schwab Advisor Services, Schwab provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services described below are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. The

availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of Schwab's support services:

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

Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

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

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

The availability of services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. In light of our arrangements with Schwab, we may have an incentive to require that our clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a



potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

## **Review of Accounts**

Our investment adviser representatives review client accounts quarterly and may reposition assets to bring the actual allocations closer to the chosen strategy's target allocations, unless the client has requested otherwise. Account transactions are reviewed on an ongoing basis to ensure consistency with client objectives and restrictions, if any. Significant market or client-specific events may cause us to review an account on a more frequent basis. Our investment adviser representatives meet with clients in-person, by telephone or via webcasts on an agreed upon basis, but on at least an annual basis. Clients are encouraged to notify SWS of any changes in their financial situation, needs or investment objectives, or the suitability of the investment strategy developed for them.

Clients receive transaction confirmation notices and regular summary account statements directly from Schwab. SWS also provides clients with periodic reports. These written reports generally contain account holdings, investment results and other data relevant to your account. We urge clients to carefully review these reports and compare the statements received from the Financial Institution with the reports that we provide. The information in our reports may vary from the Financial Institution's statements based on accounting procedures, reporting dates or the valuation methodologies of certain securities.

## **Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Factors Used to Select Broker-Dealers for Client Transactions. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Financial Information**

In certain circumstances, registered investment advisers are required to provide clients or prospective clients with financial information or disclosures about their financial condition.

SWS has never been the subject of any bankruptcy proceeding.