



## **Processus Wealth & Capital Management, LLC**

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This brochure provides information about the qualifications and business practices of Processus Wealth & Capital Management, LLC (hereinafter "PWCM"). If you have any questions about the contents of this brochure, please contact J. Chad Jordan at (615) 656-3745. 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 Processus Wealth & Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), reference CRD #155306.

Processus Wealth & Capital Management, LLC is an investment adviser registered with the U.S. Securities Exchange Commission. Registration does not imply any level of skill or training.



## Item 2. Material Changes

Since PWCM's last annual updating amendment dated February 10, 2023, we have made the following material changes to this disclosure brochure:

- Item 4 and 5 - PWCM uses a third-party order management platform to facilitate discretionary management of held away assets for some retirement plan participant accounts.
- Item 5 – As of March 1, 2024, PWCM increased its fee schedule for new and existing clients with assets under management for each tier up to \$5 million. The fee remains the same for clients with assets above \$5 million.
- Item 5 - Fees charged for our investment management services are negotiable based on certain factors. See Item 5 for more information.
- Item 15 - PWCM no longer has custody over a select number of client accounts (401k plans, 403b and 457 plan participant accounts) since PWCM no longer has access to the client's account through the client's log-in access to manage the account.

We will ensure that you receive a summary of any material changes to this PWCM disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information as necessary.



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## Item 4. Advisory Business

PWCM provides financial planning and investment management services. Prior to engaging PWCM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with PWCM setting forth the terms and conditions under which PWCM renders its services (collectively the “Agreement”).

PWCM has been a registered investment advisor firm since October 2010. J. Chad Jordan and Grady C. Tabor are the principal owners of PWCM. PWCM applied for registration as an investment adviser with the U.S. Securities Exchange Commission (SEC) in July 2020, which was accepted on September 10, 2020.

PWCM has \$165,458,864 of assets under management as of December 31, 2023, on a discretionary basis and \$0 of asset under management on a non-discretionary basis.

This Disclosure Brochure describes the business of PWCM. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of PWCM’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on PWCM’s behalf and is subject to PWCM’s supervision or control.

### Financial Planning Services

PWCM may provide certain clients with a broad range of comprehensive financial planning and consulting services. These services include retirement and pre-retirement cash flows, strategic asset allocation modeling, alternative outcome analysis, estate planning, and wealth transfer strategies.

Our financial planning services are only available to clients who have a minimum of \$1 million in assets under management for which PWCM is currently receiving an asset management fee. PWCM does not offer financial planning as a separate advisory service. Only certain clients currently receiving asset management services will receive financial planning services.

PWCM may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if PWCM recommends its own services. The client is under no obligation to act upon any of the recommendations made by PWCM. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of PWCM’s recommendations. Clients are advised that it remains their responsibility to promptly notify PWCM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising PWCM’s previous recommendations and/or services.

### Investment Management Services

Clients may only engage PWCM to manage all or a portion of their assets on a discretionary basis. PWCM primarily allocates clients’ investment management assets among mutual funds, exchange-traded funds (“ETFs”), and individual debt and equity securities in accordance with the investment objectives of the client. PWCM may also provide advice about any type of investment held in clients’ portfolios.

PWCM also may render investment management services to clients relative to other products that may not be held by the client’s primary custodian. In so doing, PWCM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.



PWCM tailors its advisory services to the individual needs of clients. PWCM consults with clients initially and on an ongoing basis to develop an investment policy statement which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. PWCM ensures that clients' investments are in their best interests for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify PWCM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon PWCM's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in PWCM's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

At a client's discretion, PWCM may assist in the establishment of a margin account to be used by the client for non-investment related credit needs. PWCM does not recommend or accept the use of margin solely for the purchase of marketable securities, however if a margin account is established by the client at their express direction, PWCM will continue to purchase marketable securities pursuant to the client's investment strategy as detailed within their Investment Policy Statement.

#### Retirement Plan Rollover Recommendations

When PWCM provides investment advice about your retirement plan account or individual retirement account ("IRA") including whether to maintain investments and/or proceeds in the retirement plan account, roll over such investment/proceeds from the retirement plan account to a IRA or make a distribution from the retirement plan account, we acknowledge that PWCM is a "fiduciary" within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC") as applicable, which are laws governing retirement accounts. The way PWCM makes money creates conflicts with your interests so PWCM operates under a special rule that requires PWCM to act in your best interest and not put our interest ahead of you.

Under this special rule's provisions, PWCM must as a fiduciary to a retirement plan account or IRA under ERISA/IRC:

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

To the extent we recommend you roll over your account from a current retirement plan account to an individual retirement account managed by PWCM, please know that PWCM and our investment adviser representatives have a conflict of interest.

We can earn increased investment advisory fees by recommending that you roll over your account at the retirement plan to an IRA managed by PWCM. We will earn fewer investment advisory fees if you do not roll over the funds in the retirement plan to an IRA managed by PWCM.



Thus, our investment adviser representatives have an economic incentive to recommend a rollover of funds from a retirement plan to an IRA which is a conflict of interest because our recommendation that you open an IRA account to be managed by our firm can be based on our economic incentive and not based exclusively on whether or not moving the IRA to our management program is in your overall best interest.

We have taken steps to manage this conflict of interest. We have adopted an impartial conduct standard whereby our investment adviser representatives will (i) provide investment advice to a retirement plan participant regarding a rollover of funds from the retirement plan in accordance with the fiduciary status described below, (ii) not recommend investments which result in PWCM receiving unreasonable compensation related to the rollover of funds from the retirement plan to an IRA, and (iii) fully disclose compensation received by PWCM and our supervised persons and any material conflicts of interest related to recommending the rollover of funds from the retirement plan to an IRA and refrain from making any materially misleading statements regarding such rollover.

When providing advice to you regarding a retirement plan account or IRA, our investment advisor representatives will act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk, tolerance, financial circumstances, and a client's needs, without regard to the financial or other interests of PWCM or our affiliated personnel.

#### Retirement Plan Participant Management Services

PWCM offers an additional management service directly to participants of retirement plans with self-directed accounts and/or health savings accounts (HSAs) where:

- Client has the power and authority to select investments from the investment alternatives offered under the self-directed account(s) of the retirement plan(s) or HSAs;
- Client desires to engage PWCM for the purposes of managing the investments in Client's individual retirement plan account and/or HSA;
- PWCM desires to provide such management services but requires the use of a third-party software program to provide investment management services to Client's individual participant account(s) under the retirement plan(s) or HSA;
- Client understands that PWCM's investment advice or investment decisions are limited to the investment options available under the retirement plan or offered by the HSA provider;
- Client is willing to share Client's credentials with the third-party software program despite the risks; and
- PWCM and Client agree that it would be to their mutual advantage to execute an Addendum for the Retirement Plan Participant Management Services.

PWCM will obtain from Client information to determine Client's financial situation and investment objectives related to the retirement account and/or HSA. PWCM will provide Client with continuous and ongoing supervision over the retirement account and/or HSA. PWCM will actively monitor retirement account and/or HSA and provide advice to Client regarding buying, selling, reinvesting or holding securities, cash or other investments available to the retirement account under the Plan and/or HSA.



Client grants PWCM discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the retirement and/or HSA in the sole discretion of PWCM without first consulting with Client. Client also grants PWCM a limited power of attorney to execute transactions in the retirement account and/or HSA on behalf of Client without obtaining specific client consent. This authority is limited to executing transactions in securities and cash held in retirement account and/or HSA. PWCM does not have authority under this limited power of attorney to submit a request for a distribution or withdrawal of funds from retirement account and/or HSA.

### **Participation in Wrap Fee Programs**

PWCM does not offer or participate in any wrap fee programs.

## **Item 5. Fees and Compensation**

PWCM offers its services on a fee only basis based upon assets under management. The exact fees and other terms will be outlined in the agreement between PWCM and the client.

### **Financial Planning Fees**

Our financial planning services are provided at no charge only to clients who have a minimum of \$1 million in assets under management for which PWCM is currently receiving an asset management fee.

### **Investment Management Fee**

PWCM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by PWCM. PWCM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. PWCM does not, however, receive any portion of these commissions, fees, and costs. PWCM's annual fee is prorated and charged monthly, in arrears, based upon the market value of the assets being managed by PWCM on the last day of the previous month.

### **Fee Schedule as of March 1, 2024**

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$1,000,000	1.50%
Next \$2,000,000	1.25%
Next \$2,000,000	1.00%
Above \$5,000,000	0.60%

**All new and existing clients will be subject to the new fee schedule. The new fee schedule will be applied initially on the April 1, 2024, monthly billing period.**

Fees charged for our investment management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account, the potential for additional account deposits, the type of investment management services to be rendered, the relationship of the



client with the investment adviser representative and the total amount of assets under management for the client.

Non-investment related margin services are provided to certain clients at their direction for an annual fee of 50 basis points based upon the margin balance held within discretionary managed accounts.

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), PWCM generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services (“Fidelity”) for investment management accounts.

PWCM may only implement its investment management recommendations after the client has arranged for and furnished PWCM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Fidelity, any other broker-dealer recommended by PWCM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “Financial Institutions”).

Clients may incur certain charges imposed by the Financial Institutions, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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.

PWCM’s Agreement and the separate agreement with any Financial Institutions may authorize PWCM to debit the client’s account for the amount of PWCM’s fee and to directly remit that management fee to PWCM. Any Financial Institutions recommended by PWCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PWCM.

### **Fees for Management During Partial Months of Service**

For the initial period of investment management services, the fees are calculated on a pro rata basis.

The Agreement between PWCM and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. PWCM’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to PWCM’s right to terminate an account. Additions may be in cash or securities provided that PWCM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to PWCM, subject to the usual and customary securities settlement procedures. However, PWCM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives.

If assets are deposited into or withdrawn from an existing advisory account during a month, the fee due for that month with respect to such assets will not be adjusted or prorated based on the number of days remaining in the month unless the deposit or withdrawal represents 10% or more of the account or equals an amount of \$100,000 or greater.

### **Fees for Retirement Plan Participant Management Services**





As stated in Item 4, PWCM uses a third-party software platform to facilitate discretionary management of some held away assets for retirement plan participant accounts. The platform allows PWCM to avoid being considered to have custody of client funds since we do not have direct access to client log-in credentials stored by the third-party software provider to affect trades. PWCM is not affiliated with the third-party platform in any way and receives no compensation from them for using the platform. A link will be provided to the client allowing them to connect an account(s) to the platform. Once client account(s) is connected to the third-party platform, PWCM will review the current account allocations for those accounts using the third-party platform.

When necessary, PWCM will allocate and rebalance the account as necessary. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

PWCM's annual fee for management of the retirement plan participant account and/or HSA on the third-party platform is charged monthly, in arrears, based upon the tiered fee schedule above and the market value of the assets being managed on the third-party platform by PWCM on the last day of the previous month. Client will provide written authorization for the fee to be automatically debited from the client's Fidelity account. The management fees charged for the retirement account and/or HSA will not be paid by the applicable retirement plan or HSA provider. PWCM does not charge the client for use of the third-party platform.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

PWCM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

PWCM provides its services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

As a condition for starting and maintaining a relationship, PWCM generally imposes a minimum portfolio size of \$1,000,000.

PWCM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. PWCM only accepts clients with less than the minimum portfolio size if, in the sole opinion of PWCM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. PWCM may aggregate the portfolios of family members to meet the minimum portfolio size.



## **Item 8. Method of Analysis, Investment Strategies and Risk of Loss**

### **Method of Analysis**

PWCM's primary method of analysis is fundamental.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. PWCM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### **Investment Strategies**

PWCM was founded on the core principal of providing objective and transparent financial planning and investment advice to high net worth individuals. PWCM believes the most important step in this process is getting to know the client. The initial step in the management process is to conduct a thorough analysis of the client's needs, goals, desires, and concerns in all their financial and family matters. PWCM uses this information to develop a comprehensive financial plan that serves as the road map in developing a customized Investment Policy Statement ("IPS") and to determine a client's strategic asset allocation ("SAA"). PWCM then reviews the expected risk and expected return characteristics of the IPS and SAA with the client.

#### *Investment Policy Statement*

PWCM verifies the overall relationship needs and objectives and addresses any unique circumstances that a client may have that could impact the SAA and/or any security selection decisions. The IPS establishes the parameters of PWCM's Tactical Asset Allocation ("TAA") decisions, such as the minimum and maximum weighting in broad asset class categories such as cash, equities, and fixed income. PWCM also addresses the suitability of alternative investments, such as non-traditional assets as described on page 10. Finally, the IPS establishes the frequency of PWCM's performance review meetings, income needs, capital needs, and identifies the appropriate benchmark for performance comparisons.

#### *Strategic Asset Allocation*

The SAA is established based on the client's needs. The SAA is a static allocation and is only revised when there is a change in the client's goals and objectives.

#### *Tactical Asset Allocation*

The TAA differs from the SAA in that PWCM makes allocations inside the parameters of the SAA based on asset class valuations, expectations of the business cycle, and interest rates. In various stages of the business cycle and interest rate cycle, some asset classes tend to perform better than others. Thus, in the TAA, PWCM will overweight those asset classes, relative to the SAA that are expected to perform well and underweight those asset classes, relative to the SAA that PWCM expects to underperform.

#### *Strategies and Security Selection*

PWCM invests in individual stocks, equity and fixed income mutual funds, as well as ETFs, in building client portfolios. PWCM's Large Cap Core Strategy is a portfolio of individual large cap equities while



PWCM's Large Cap Core Plus Strategy utilizes a combination of mutual funds and ETFs in addition to the individual large cap equity positions. PWCM's Managed Funds Strategy uses only mutual funds and ETFs with no allocation to individual stocks.

#### *Large Cap Core Strategy (Individual Stocks)*

The Large Cap Core Strategy focuses on companies with a minimum market capitalization of \$5 billion that exhibit strong growth characteristics and are leaders in their respective industry with a dominant market share position, strong growth rates, product/service innovation, operational efficiency, strong management teams, and strong balance sheets with cash flows that can support future growth. Companies that meet the above characteristics while selling at reasonable valuations based on price/earnings ("P/E"), relative P/E, P/E to earnings per share growth, price/book (P/B), Price to Earnings Before Interest, Taxes, and Depreciation ("EBITDA"), price/sales, and/or enterprise value to EBITDA are candidates for purchase. Generally, companies that experience a slowing of their growth characteristics and/or are trading at or above their expected valuation range are candidates for selling. To manage risk in this portfolio, PWCM limits sector allocations to a minimum of 50% of the S&P 500 sector and a maximum of 150% of the S&P 500 sector. The S&P 500 sectors that make up less than 5% of the S&P 500 may be excluded from the portfolio. The cash allocation target maximum is 10% but can be increased to 25% during periods of high volatility/uncertainty. PWCM may also utilize covered call writing and protective put strategies to manage volatility. The portfolio will have a growth style bias.

#### *Mutual Funds and ETFs*

The mutual funds that are included in portfolios managed by PWCM are designed to give the portfolio a specific exposure to a particular asset class. PWCM chooses mutual funds by evaluating managerial consistency, levels of risk taken to achieve returns, manager tenure, and operating expense structure. Mutual funds that have a strong operations area, are client service oriented, are No-Load, Load-Waived, no 12b-1 fees, and that have omnibus relationships with PWCM's custodian are preferred. PWCM may use ETFs to gain exposure to broad asset classes and/or allocations to a specific economic sector. ETFs that are liquid, have a low tracking error, and low expense ratio are preferred.

#### *Individual Bonds*

For clients with more than \$1 million allocation to fixed income, PWCM may utilize individual bonds as part of the fixed income allocation. PWCM prefers, however, fixed income mutual funds for increased diversification purposes, liquidity and reduced transaction costs which are a result of the institutional pricing mutual funds received when placing bond trades. The fixed income portion of client portfolios generally has a primary objective of meeting income needs with a secondary objective of total return. As a general rule, bonds below the equivalent of an "A" rating by Moody's or S&P will not be purchased in individual accounts and bonds with an equivalent rating below a "BBB+" by Moody's or S&P will be eliminated from portfolios. The minimum purchase size is \$25,000 face value and individual bond positions cannot exceed 5% of the total account value.

#### *Non-Traditional Assets (NTAs)*

NTAs may also be included in portfolios; these are typically structured as a daily priced mutual funds and are used as alternatives to the traditional equity and fixed income allocation for diversification purposes.

#### *Prohibited Securities*



Leveraged ETFs, inverse ETFs, exchange trade notes, structured notes, structured financial products, options (excluding covered call writing and protective puts as part of the Large Cap Core Strategy only), and limited partnerships are not used in client portfolios.

## **Risks of Loss**

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### *Market Risks*

The profitability of a significant portion of PWCM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that PWCM will be able to predict those price movements accurately.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Management Through Similarly Managed Accounts*

For certain clients, PWCM may manage portfolios by allocating portfolio assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "investment strategy"). In so doing, PWCM buys, sells, exchanges and/or transfers shares of mutual funds and/or securities based upon the investment strategy.



PWCM's management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to PWCM's clients may be limited. PWCM allocates investment opportunities among its clients on a fair and equitable basis.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

## **Item 9. Disciplinary Information**

PWCM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. PWCM does not have any required disclosures to this Item.

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

PWCM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. PWCM does not have any required disclosures to this Item.

## **Item 11. Code of Ethics**

PWCM and persons associated with PWCM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with PWCM's policies and procedures.

PWCM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by PWCM or any of its associated persons. The Code of Ethics also requires that certain of PWCM'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.

As specifically permitted in PWCM's Code of Ethics, its Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the



Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of PWCM's clients. This means that where a PWCM Access Person is invested in a similarly managed account (investment strategy), the Access Person may participate equally in any transaction made for the benefit of clients invested in the same similarly managed account/investment strategy.

Otherwise, when PWCM is purchasing or considering for purchase any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when PWCM is selling or considering the sale of any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact PWCM to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of PWCM. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

### **Brokerage Recommendations**

If you elect to utilize our management services, you are required to establish a brokerage account at Fidelity. Fidelity provides PWCM with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.



Fidelity also makes available to PWCM products and services that assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation 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 our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

As a fiduciary, we endeavor to act in your best interest. Our requirement that you maintain your assets in accounts at Fidelity may be based in part on the benefit to us 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 Fidelity. This creates a conflict of interest.

### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, PWCM may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, PWCM has decided to require our clients to use broker/dealers and other qualified custodians determined by PWCM.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

PWCM does not have a soft dollar agreement with a broker-dealer or a third-party.

### **Handling Trade Errors**

PWCM 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 PWCM 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 is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able 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 is made whole and any loss resulting from the trade error is absorbed by PWCM if the error is caused by PWCM. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. PWCM may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

PWCM will never benefit or profit from trade errors.



### **Block Trading Policy**

We may elect 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 our firm when PWCM believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is 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.

PWCM uses the average price allocation method for transaction allocation.

Under this procedure Fidelity will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which PWCM or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **Item 13. Review of Accounts**

For those clients to whom PWCM provides investment management services, PWCM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least an annual basis or more frequently at the client's request. Such reviews are conducted by one of PWCM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with PWCM and to keep PWCM informed of any changes thereto. PWCM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom PWCM provides investment advisory services will also receive a report from PWCM that may include such relevant account and/or market-related information such as an inventory of account holdings and account on a periodic basis. Clients should compare the account statements they receive from their custodian with those they receive from PWCM.





Those clients to whom PWCM provides financial planning services will receive reports from PWCM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by PWCM.

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

PWCM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, PWCM is required to disclose any direct or indirect compensation that it provides for client referrals. PWCM does not have any required disclosures to this Item.

## **Item 15. Custody**

PWCM's Agreement and/or the separate agreement with any Financial Institution may authorize PWCM through such Financial Institution to debit the client's account for the amount of PWCM's fee and to directly remit that management fee to PWCM in accordance with applicable custody rules.

PWCM is deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts.

For accounts in which PWCM is deemed to have custody, we have 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, the Financial Institutions recommended by PWCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PWCM. In addition, as discussed in Item 13, PWCM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from PWCM.

## **Item 16. Investment Discretion**

PWCM may be given the authority to exercise discretion on behalf of clients. PWCM is considered to exercise investment discretion over a client's account if it can affect transactions for the client without first having to seek the client's consent. PWCM is given this authority through a power-of-attorney included in the agreement between PWCM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PWCM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## **Item 17. Voting Client Securities**

PWCM is required to disclose if it accepts authority to vote client securities. PWCM does not vote client securities on behalf of its clients. Clients receive proxies directly from the Financial Institutions.



## Item 18. Financial Information

PWCM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, PWCM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. PWCM has no disclosures pursuant to this Item.

### Customer Privacy Policy Notice

**Commitment to Your Private Information:** PWCM has developed a policy of protecting the confidentiality and security information we collect about our clients. We do not, and will not, share nonpublic personal information about you (“Information”) with outside third parties without your consent, except for the specific purposes described below. This notice has been provided to you to describe the Information we may gather and the situations under which we may need to share it.

**Why We Collect and How We Use Information.** We limit the collection and use of Information within our firm to only those individuals associated or employed with us that must have Information to provide financial services to you. Such services include maintaining your accounts, processing transaction requests, providing financial planning, financial advisory, and other services described in our Form ADV.

**How We Gather Information.** We get most Information directly from you when you provide us with information from any of the following sources:

- Applications or forms (for example: name, address, social security number, birth date, assets, income, financial history)
- Transactional activity in your account (for example: trading history and account balances)
- Information services and consumer reporting sources (for example: to verify your identity or to assess your credit history)
- Other sources with your consent (for example: your insurance professional, attorney, or accountant)

**How We Protect Information.** Our employees and affiliated persons are required to protect the confidentiality of Information and to comply with our stated policies. They may access Information only when there is an acceptable reason to do so, such as to service your account or provide you with financial services. Employees who violate our Privacy Policy are subject to disciplinary action, up to and including termination from employment with us. We also maintain physical, electronic, and procedural safeguards to protect information, which comply with applicable SEC, state, and federal laws.

**Sharing Information with Other Companies Permitted Under Law.** We do not disclose Information obtained in the course of our practice except as required or permitted under law. Permitted disclosures include, for instance, providing information to unrelated third parties who need to know such Information in order to assist us with providing services to you. Unrelated third parties may include broker/dealers, mutual fund companies, insurance companies, and the custodian with whom your assets are held. In such situations, we stress the confidential nature of information being shared.

**Former Customers.** Even if we cease to provide you with financial products or services, our Privacy Policy will continue to apply to you and we will continue to treat your nonpublic information with strict confidentiality.



## Business Continuity Plan

PWCM has a business continuity and contingency plan in place designed to respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact our ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or the operations of a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions.

Our continuity and contingency plan has been developed to safeguard employees' lives and firm property, to allow a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records, and to allow clients to continue transacting business.

The plan includes the following:

- Alternate locations to conduct business;
- Hard and electronic back-ups of records;
- Alternative means of communications with employees, clients, critical business constituents and regulators; and
- Details on the firms' employee succession plan

Our business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.

