



Part 2A Appendix 1 of Form ADV:

**Wrap Fee Program Brochure  
of  
Arvest Wealth Management**

**March 19, 2019**

This wrap fee program brochure (“Brochure”) provides information about the qualifications and business practices of Arvest Investments, Inc. d/b/a Arvest Wealth Management, an investment adviser registered with the SEC (#801 – 63738). Please note that registration with the SEC does not imply a certain level of skill or training. If you have questions about the contents of this Brochure, please contact us at (501) 379-7811. 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 Arvest Wealth Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Arvest Wealth Management is the trade name used by Arvest Investments, Inc., an SEC registered investment adviser and broker-dealer, member FINRA/SIPC, and a wholly-owned subsidiary of Arvest Bank.

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## Item 2 Material Changes

This Brochure contains the following material changes to our previous annual update dated March 28, 2018:

Arvest Wealth Management (“AWM”) is in the process of changing its custodian and clearing firm from Wells Fargo Clearing Services, LLC (“WFCS”) to Pershing LLC (“Pershing”). All existing AWM wrap fee investment advisory accounts, which are managed by AWM’s investment advisor representatives in its Investment Managed Group (“IMG”) and custodied at WFCS, will be transferred to Pershing on or about May 3, 2019, but the accounts’ portfolio managers, portfolios and contracted fees will remain unchanged. In connection with the transition to Pershing, effective on or about May 3, 2019, AWM will provide investment advisory services through the following wrap fee programs:

- AWM SMA Equity and Balanced Strategies
- AWM SMA Fixed Income Strategies
- AWM Unified Managed Account
- Lockwood Advisor*Flex* Portfolios
- Lockwood Asset Allocation Portfolios
- Mutual Funds & ETF Strategists
- IMG Equity & Balanced Strategies\*
- IMG Fixed Income Strategies\*
- Advisor Directed – Discretionary
- Advisor Directed – Non-Discretionary

This Brochure has been generally updated to add disclosures regarding the new wrap fee programs being sponsored by AWM.

\*While the transition to Pershing will not result in any changes to the existing wrap fee program accounts’ portfolio managers, portfolios and contracted fees, AWM wrap fee program portfolios managed by IMG are generally being grouped under either the IMG Equity & Balanced Strategies program or the IMG Fixed Income Strategies program, depending on whether the portfolio investment strategy is focused on equities or fixed income securities, for presentation purposes in this Brochure.

## Item 9 Disciplinary Information

- AWM, as a broker-dealer, is a member of FINRA. FINRA alleged that AWM violated rules 4 and 5 of Regulation S-P, NASD Rule 3010(a)(2) and (b)(1), and FINRA Rules 3110(a)(2), (b)(1) and 2010 by, between January 2009 and December 2016, failing to provide required initial and annual privacy notices to certain brokerage customers and also failing to establish and maintain a supervisory system reasonably designed to ensure that it was meeting its privacy notice obligations. In May 2018, without admitting or denying FINRA’s findings, AWM consented to the entry of findings and to the following sanctions, including a censure, a fine in the amount of \$150,000, and an undertaking to revise as necessary its policies, procedures and internal controls, which AWM has already complied with.

You can access additional information about our firm and our management personnel on the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), and on FINRA’s website, [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## Item 3 Table of Contents

Item 2	Material Changes .....	2
Item 3	Table of Contents.....	3
Item 4	Services, Fees and Compensation.....	4
	General Information Regarding the Wrap Fee Programs.....	5
	AWM SMA Equity and Balanced Strategies.....	7
	AWM SMA Fixed Income Strategies .....	8
	AWM Unified Managed Account (UMA) .....	9
	Lockwood AdvisorFlex Portfolios (LAFP) .....	9
	Lockwood Asset Allocation Portfolios (LAAP).....	10
	Mutual Funds & ETF Strategists .....	11
	IMG Equity & Balanced Strategies.....	13
	IMG Tactical Model .....	16
	IMG Fixed Income Strategies.....	17
	Advisor Directed – Discretionary.....	20
	Advisor Directed – Non-Discretionary.....	21
	Modification of Client Advisory Fee Schedules/Fees Negotiable.....	21
	Billing .....	22
	Termination of the Advisory Relationship.....	22
	ERISA Accounts .....	22
	Other Fees and Additional Compensation .....	22
	Cash Sweep Program .....	23
	Margin Accounts.....	23
	Transactions Executed Away from Pershing .....	23
Item 5	Account Requirements and Types of Clients .....	24
	Account Requirements .....	24
	Types of Clients.....	24
Item 6	Portfolio Manager Selection and Evaluation .....	24
	Selection and Review of Portfolio Managers .....	24
	Advisory Business .....	25
	Performance-Based Fees and Side-by-Side Management .....	25
	Methods of Analysis, Investment Strategies and Risk of Loss.....	25
	Voting Client Securities.....	30
Item 7	Client Information Provided to Portfolio Managers .....	30
	Information Provided to Affiliated Portfolio Managers .....	31
	Information Provided to Non-affiliated Portfolio Managers.....	31
Item 8	Client Contact with Portfolio Managers .....	31
Item 9	Additional Information.....	31
	Disciplinary Information .....	31
	Financial Industry Activities and Affiliations.....	32
	Code of Ethics .....	32
	Review of Accounts .....	33
	Client Referrals .....	33
	Financial Information .....	33

## Item 4 Services, Fees and Compensation

AWM offers investment advisory services through AWM sponsored wrap fee programs, as described in this Brochure.

AWM is in the process of changing its custodian and clearing firm from Wells Fargo Clearing Services, LLC (“WFCS”) to Pershing LLC (“Pershing”). All existing AWM wrap fee investment advisory accounts, which are managed by AWM’s Investment Managed Group (“IMG”) and custodied at WFCS, will be transferred to Pershing on or about May 3, 2019, but the accounts’ portfolio managers, portfolios and contracted fees will remain unchanged. In connection with the transition to Pershing, effective on or about May 3, 2019, AWM will provide investment advisory services through the following wrap fee programs:

- AWM SMA Equity and Balanced Strategies
- AWM SMA Fixed Income Strategies
- AWM Unified Managed Account
- Lockwood Advisor*Flex* Portfolios
- Lockwood Asset Allocation Portfolios
- Mutual Funds & ETF Strategists
- IMG Equity & Balanced Strategies\*
- IMG Fixed Income Strategies\*
- Advisor Directed – Discretionary
- Advisor Directed – Non-Discretionary

\*While the transition to Pershing will not result in any changes to the existing wrap fee program accounts’ portfolio managers, portfolios and contracted fees, existing AWM wrap fee program portfolios are generally being grouped under either the IMG Equity & Balanced Strategies program or the IMG Fixed Income Strategies program, depending on whether the portfolio investment strategy is focused on equities or fixed income securities, for presentation purposes in this Brochure.

Through personal discussions with the client in which the client’s goals and objectives are established, we determine which programs and underlying portfolios are suitable to the client’s circumstances. Clients generally have the opportunity to request that reasonable restrictions be imposed on the types of investments to be held in their accounts. These restrictions may include prohibitions with respect to the purchase or sale of particular securities or types of securities. If, in its sole discretion, AWM or the Portfolio Manager, believes that the restrictions are unreasonable or inappropriate for the account, AWM will notify the Client that, unless the restrictions are removed, it may terminate the account. Clients will not be able to provide restrictions that prohibit or restrict the investment advisor of a mutual fund or Exchange Traded Fund (ETF) with respect to the purchase and sale of specific securities or types of securities within the mutual fund or ETF. Clients retain individual ownership of all securities held in their wrap fee program accounts and have the ability to request to receive trade confirmations and to vote proxies or, in certain cases where a portfolio manager accepts proxy voting authority, to delegate proxy voting authority to the portfolio managers, as described in their AWM advisory agreement and in this Brochure.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity needs and suitability.

To ensure that our initial determination of an appropriate program and/or portfolios remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances and goals, we will:

1. Send quarterly written reminders with client account statements requesting any updated information regarding changes in the client's investment objectives, risk tolerances, or financial situation;
2. At least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
3. Be reasonably available to consult with the client; and
4. Maintain client suitability information in each client's file.

### ***General Information Regarding the Wrap Fee Programs***

A wrap fee program is an investment advisory program in which you pay one bundled annual fee (the "Client Advisory Fee") to compensate AWM and Portfolio Managers (including AWM, when your AWM investment advisor representative ("Client Advisor") or other AWM IMG investment advisor representatives are acting as portfolio managers) for their services and to pay the brokerage transaction execution and custody and clearing costs associated with transactions in the your wrap fee program advisory account. AWM does not maintain custody of client securities. All client securities are held by a qualified custodian. Effective on or about May 3, 2019, AWM's wrap fee program accounts will be held at Pershing, with AWM acting as introducing broker pursuant to AWM's fully disclosed clearing services agreement with Pershing. Pershing will serve as custodian for the accounts and provide execution and clearance of transactions. By entering into the AWM wrap fee program advisory agreement and participating in a wrap fee program, client authorizes and directs AWM and the Portfolio Managers to trade through Pershing.

Pershing provides AWM access to its technology platform, which includes: the Proposal System, Proposal Output and Portfolio Analytics, initiation and monitoring of new managed accounts, and AWM and Portfolio Manager level asset and account reporting. In addition, Pershing provides the following operational services: support functions related to new account processing such as account funding notifications, processing of trade confirmation delivery instructions and proxy notices, house-holding for performance reporting and billing purposes, process account maintenance requests, billing and payment services, daily reconciliation of accounts and production and delivery of quarterly and on-demand performance reporting.

Through our agreement with Lockwood Advisors, Inc. ("Lockwood"), an affiliate of Pershing and a SEC registered investment adviser, Lockwood provides access to individual account managers and investment advisory and discretionary services to AWM with respect to the programs. AWM clients have access to Lockwood's investment advisory platform through their participation in the programs, including, as applicable, access to model providers and portfolio and asset managers reviewed and selected by Lockwood to participate in Lockwood's investment advisory platform and, ultimately, reviewed and selected by AWM to participate in the programs. Lockwood is an independent third party money manager that also acts as a portfolio and/or overlay manager with respect to certain of the AWM sponsored wrap fee programs (the "Lockwood Advised Programs"), as described below.

The applicable Client Advisory Fee depends on the program you have selected and is described below. There may, however, be additional charges such as wire transfer fees or commissions for trades not executed through our clearing firm. The Client Advisory Fee does not cover trades executed through broker-dealers other than Pershing. Please refer to “Transactions Executed Away From Pershing” below regarding the reasoning and added costs and fees you may incur when your Portfolio Manager elects to execute trades away from Pershing. These services may cost you more or less than purchasing similar services separately, assuming the services could be purchased directly from the various providers thereof. Each wrap fee program is available only for a Client Advisory Fee that is based upon a percentage of assets under management. In evaluating a wrap fee program, clients should consider a number of factors. A client may be able to obtain some or all of the services available through a particular wrap fee program on an “unbundled” basis through AWM or through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower (or higher) than the single, all-inclusive fee charged in the wrap fee program. Payment of an asset-based fee may produce accounting, bookkeeping or income tax results that differ from those resulting from the separate payment of (i) securities commissions and other execution costs on a trade-by-trade basis and (ii) advisory fees. Any securities or other assets used to establish a wrap fee program account may be sold, and the client will be responsible for payment of any taxes due. AWM recommends that each client consult with his or her tax advisor or accountant regarding the tax treatment of wrap fee program accounts.

The table below provides a comparison of the wrap fee programs sponsored by AWM. Please refer to the specific wrap fee program heading below for further information regarding the management and costs of the program you are considering. Additional information regarding Lockwood and each of the other third party portfolio managers and model providers referenced below can be found in their Form ADV Part 2A. Additionally, periodic information regarding a portfolio manager or model provider and its strategy will be available to AWM’s Client Advisors to provide to clients upon request.

<b>Wrap Fee Program Name</b>	<b>Discretionary Program</b>	<b>Types of Securities Offered – Include</b>	<b>Maximum Client Advisory Fee** At Minimum Investment Amount</b>	<b>Minimum Investment</b>
AWM SMA Equity and Balanced Strategies*	Yes Portfolio Manager	Equities, ADRs, Mutual Funds, ETFs, Cash	2.50%	\$100,000
AWM SMA Fixed Income Strategies*	Yes Portfolio Manager	U.S. Treasury Securities, U.S. Agency, Cash, Residential/ Commercial CMOs, Investment Grade and High Yield Corporate and Municipal Bonds, Corporate Notes, Asset-Backed Securities Fixed Income ETF or Mutual Fund	2.00%	\$100,000
AWM Unified Managed Account(1)*	Yes Lockwood (Overlay Manager) and Selected Portfolio or Model Managers	SMAs, Models, Mutual Funds, ETFs, Equities	2.75%	\$100,000

<b>Wrap Fee Program Name</b>	<b>Discretionary Program</b>	<b>Types of Securities Offered – Include</b>	<b>Maximum Client Advisory Fee** At Minimum Investment Amount</b>	<b>Minimum Investment</b>
Lockwood AdvisorFlex Portfolios(1)*	Yes Lockwood	16 tax-aware and 16 traditional multi- manager ETF/Mutual Fund portfolios	2.50 %	\$100,000
Lockwood Asset Allocation Portfolios(1)*	Yes Lockwood	Multi-manager ETF/Mutual Fund portfolios	2.00%	\$ 50,000
Mutual Funds & ETF Strategies(1)*	Yes Lockwood and Selected Model Managers.	Mutual Funds & Exchange Traded Funds	2.00%	\$ 50,000
IMG Equity & Balanced Strategies	Yes AWM-IMG	Equities, ADRs, Mutual Funds, ETFs, Cash	2.50%	\$ 50,000 ETF Models  \$100,000 Equity Portfolios Except Strategic Equity which is \$200,000
IMG Fixed Income Strategies	Yes AWM-IMG	U.S. Treasury Securities, U.S. Agency, Cash, Residential/ Commercial CMOs, Investment Grade and High Yield Corporate and Municipal Bonds, Corporate Notes, Asset-Backed Securities Fixed Income ETF or Mutual Fund	2.00%	\$200,000 Managed Credit Mgd. Short-Term Credit  \$1,000,000 Mgd. Diversified Bond Mgd. Municipal Bond
Advisor Directed– Discretionary*	Yes AWM Client Advisor	Equities, ADRs, Mutual Funds, UITs, ETFs and Cash	3.00%	\$50,000
Advisor Directed–Non- Discretionary*	No AWM Client Advisor Provides Advice	Equities, ADRs, Mutual Funds, UITs, ETFs and Cash	3.00%	\$50,000

(1) Denotes a Lockwood Advised Program.

\* Available on or about May 3, 2019.

\*\* The portfolio manager fees are included in the Client Advisory Fee. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood’s overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services.

### ***AWM SMA Equity and Balanced Strategies***

The AWM SMA Equity and Balanced Strategies provides the client with an opportunity to access equity and balanced strategies of select third-party portfolio managers on which AWM, utilizing research provided by Lockwood and the portfolio managers’ disclosure documents, among other items, conducts

initial and ongoing research and due diligence. To be selected as a third-party portfolio manager under this program, certain information must be readily available to support AWM's initial and ongoing due diligence of the portfolio manager, and there must be sufficient economic efficiencies including the amount of fees charged by the portfolio manager or the level of interest in the portfolio manager on the part of AWM clients. The portfolio managers have discretionary authority to invest, reinvest, sell or retain account assets under management by them.

The Client Advisory Fee schedule is as follows:

Client Advisory Fee (Maximum)		Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$ 50,000 - \$ 250,000	2.50 %	0.50 %
\$250,001 - \$1,000,000	2.250 %	0.50 %
\$1,000,000 and up	2.00 %	0.50 %

\* The portfolio manager fees are included in the Client Advisory Fee. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood's overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services..

### ***AWM SMA Fixed Income Strategies***

The AWM SMA Fixed Income Strategies program provides the client with an opportunity to access fixed income strategies of select third-party portfolio managers on which AWM, utilizing research provided by Lockwood and the portfolio managers' disclosure documents, among other items, conducts initial and ongoing research and due diligence. To be selected as a third-party portfolio manager under this program, certain information must be readily available to support AWM's initial and ongoing due diligence of the portfolio manager, and there must be sufficient economic efficiencies including the amount of fees charged by the portfolio manager or the level of interest in the portfolio manager on the part of AWM clients. AWM is the sponsor of the program with the portfolio managers serving as the sub-advisors. The portfolio managers have discretionary authority to invest, reinvest, sell or retain account assets under management by them.

The Client Advisory Fee schedule for AWM SMA Fixed Income Strategies is as follows:

Client Advisory Fee (Maximum)		Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$100,000 - \$ 500,000	2.00 %	0.30 %
\$500,001 - \$1,000,000	1.50 %	0.30 %
\$1,000,001 - \$5,000,000	1.25 %	0.30 %
\$5,000,001 and Up	1.00 %	0.30 %

\* The portfolio manager fees are included in the Client Advisory Fee. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood's overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services..



### ***AWM Unified Managed Account (UMA)***

UMA is a discretionary, multi-discipline managed account product housed in a single account. There are six models with traditional asset classes available. Additionally, non-traditional asset classes may be made available. AWM is the sponsor, and Lockwood serves as the overlay manager. AWM and Lockwood work together to determine the default asset allocation percentages and allowable bands for each model. Lockwood and AWM select the investments to be used for each style allocation, also known as each sleeve, of the core models. Additionally, Lockwood’s investment committee and AWM approve each investment vehicle available in the UMA. A sleeve can contain a third-party portfolio manager’s equity model, an exchange traded fund, a mutual fund or a combination of all three. Additionally, a mutual fund model or ETF model provided by AWM or third-party strategists may be used within the UMA.

The AWM UMA is a flexible UMA in that once the client has selected a model, the portfolio manager has discretion to follow the core model as determined by Lockwood or to adjust asset allocation/style percentages within the allowable bands in addition to substituting in other approved investment vehicles. This customization and flexibility allows the portfolio manager to work with clients and tailor the UMA to their needs, objectives, preferences and circumstances.

The annual Client Advisory Fee schedule is as follows:

<b>Client Advisory Fee (Maximum)</b>		<b>Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)</b>
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	0.00% to 0.50% (Consult Client Advisor)
\$100,000 - \$ 250,000	2.75 %	
\$500,001 - \$1,000,000	2.50 %	
\$1,000,001 - \$2,000,000	2.00 %	
\$2,000,001 and Up	Negotiable	

\* The portfolio manager fees are included in the Client Advisory Fee. While only the third party portfolio manager’s and strategists/model providers’ fees are shown in Portfolio Manager Fees column in the table above, the Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood’s overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services..

### ***Lockwood AdvisorFlex Portfolios (LAFP)***

AWM is the sponsor and Lockwood acts as the portfolio manager for LAFP, which is a managed account program that includes three, objectives-based strategies (Appreciation, Income and Preservation), with multiple Lockwood proprietary models within each strategy, as further described in Lockwood’s disclosure documents. Client, with the assistance of Client’s AWM Client Advisor, is responsible for selecting the appropriate model for the Client. For each investment selection within a model, Lockwood identifies several options from which Client may choose.

Lockwood will implement certain updates and changes to the models and may replace one investment vehicle with another and/or change the asset allocation of the model.

If a model does not perform according to expectations, Lockwood may adjust the model.

The annual Client Advisory Fee schedule is as follows:

Client Advisory Fee (Maximum)		Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$ 50,000 - \$ 250,000	2.50 %	0.00 %*
\$250,001 - \$1,000,000	2.250 %	0.00 %*
\$1,000,000 and up	2.00 %	0.00 %*

\* The portfolio manager fees are included in the Client Advisory Fee. While only the third party strategists/model providers' fees are shown in Portfolio Manager Fees column in the table above, the Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood's overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services..

### ***Lockwood Asset Allocation Portfolios (LAAP)***

LAAP is a discretionary, multi-discipline managed portfolio product. AWM is the sponsor of LAAP within the AWM Wrap Fee Program, and Lockwood serves as the portfolio manager. As portfolio manager, Lockwood determines the asset allocation strategy and selects investment vehicles for each investment style component of LAAP based on proprietary models. These models may consist of open- and closed-end mutual funds, exchange traded funds and other securities, as determined by Lockwood, in its sole discretion.

The five (5) LAAP model portfolios are:

- Model I: Current Income
- Model II: Growth & Income
- Model III: Conservative Growth Model
- IV: Moderate Growth
- Model V: Growth

Model I is the most conservative model, with the majority of the model allocated to fixed income and the balance to equities; Model V is the most aggressive model, with an allocation focused on equities.

Suitability is determined at the account level according to the model expectations.

If a model does not perform according to expectations, Lockwood may adjust the model.

The annual Client Advisory Fee schedule is as follows:

Client Advisory Fee (Maximum)		Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$ 50,000 - \$ 250,000	2.00 %	0.00 %*
\$250,001 - \$1,000,000	1.50 %	0.00 %*
\$1,000,000 and up	1.15 %	0.00 %*

\* The portfolio manager fees are included in the Client Advisory Fee. While only the third party strategists/model providers' fees are shown in Portfolio Manager Fees column in the table above, the Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood's overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services..

**Mutual Funds & ETF Strategists**

The Mutual Funds & ETF Strategists Program is a model delivery program where AWM, as program sponsor, selects certain third-party investment advisors (referred to herein as the strategists or model providers), made available under Lockwood’s advisory platform, who provide model portfolios to Lockwood for use in program. Individual portfolios or models are selected by client, with the assistance and advice of Client Advisor. Lockwood acts as the overlay portfolio manager to the program and manages client accounts in its discretion based on the selected models, implementing model changes and rebalancing client accounts pursuant to target allocations and program trading parameters.

The annual Client Advisory Fee schedule for the model portfolios in AWM’s Mutual Funds & ETF Strategists Program is as follows:

Client Advisory Fee (Maximum)		Portfolio Manager Fees (Included in Client Advisory Fee)*
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$ 50,000 - \$ 250,000	2.00 %	0.00 %*
\$250,001 - \$1,000,000	1.50 %	0.00 %*
\$1,000,000 and up	1.15 %	0.00 %*

\* The portfolio manager fees are included in the Client Advisory Fee. While only the third party strategists/model providers’ fees are shown in Portfolio Manager Fees column in the table above, the Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood’s overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services.

**BlackRock, LLC Target Allocation Portfolios**

BlackRock Investment Management, LLC provides models to Lockwood on a non-discretionary basis for use in the program. These model strategies build portfolios with a blend of mutual fund and ETFs. These portfolios seek to provide a range of risk and return levels by diversifying across various asset classes and a wide variety of factors that can impact investments, such as asset interest rates, credit spreads and foreign exchange. Clients, with the advice of their Client Advisor, may choose from eleven different models:

- BlackRock Target Allocation - 0/100 (0% Equity and 100% Fixed Income Exposures)
- BlackRock Target Allocation - 10/90
- BlackRock Target Allocation - 20/80
- BlackRock Target Allocation - 30/70
- BlackRock Target Allocation - 40/60
- BlackRock Target Allocation - 50/50
- BlackRock Target Allocation - 60/40
- BlackRock Target Allocation - 70/30
- BlackRock Target Allocation - 80/20
- BlackRock Target Allocation - 90/10
- BlackRock Target Allocation - 100/0 (100% Equity and 0% Fixed Income Exposures)

### Calvert – Responsible Allocation Models

The Calvert-Responsible Allocation Models are mutual fund allocation advisory model portfolios. Calvert acts as a nondiscretionary investment sub-adviser presenting model portfolios to Lockwood for use in the program. The Calvert Research and Management (CRM) Asset Allocation Team is responsible for management and oversight of the models. This includes implementing strategic asset allocation decisions, evaluating the effectiveness of their decisions and monitoring the underlying fund options.

The Calvert-Responsible Allocation Models seek to achieve their investment objectives by investing primarily in a portfolio of underlying Calvert fixed-income and equity funds that meet the models' investment guidelines. Each of the underlying Calvert mutual funds utilizes both financial and responsible investment analysis.

The models currently available under the program are:

1. Calvert Responsible Conservative Model whose stated objective is to seek current income and capital appreciation, consistent with the preservation of capital;
2. Calvert Responsible Moderate Model whose stated objective is to seek long-term capital appreciation and growth of income, with current income a secondary objective; and
3. Calvert Responsible Growth Model whose objective is to seek long-term capital appreciation.

### Goldman Sachs Asset Management LP – ETF Asset Allocation Models

The models are created by Goldman Sachs Asset Management (GSAM) multi-asset class investment team, which analyzes the economic cycle and incorporates asset class views in seeking to position the portfolios for the current economic environment. The team uses quantitative and qualitative techniques like macro valuations, stress tests and scenario analysis in identifying and reacting to cyclical changes in economies.

The GSAM models currently available in the program are following ETF models:

1. Asset Allocation Model Portfolio Conservative ETF;
2. Asset Allocation Model Portfolio Moderate ETF; and
3. Asset Allocation Model Portfolio Growth ETF.

### Russell Investment Core Model Strategies and Tax-Managed Core Model Strategies

Russell Investment Management, LLC provides models on a non-discretionary basis to Lockwood for use in the program. These model strategies are designed to optimize asset allocation strategies based on various investment principles.

This Russell model portfolio strategy currently provides five core Russell models and five tax-managed Russell models. These models offer clients an opportunity to select from varied asset allocations and investment styles in order to address a variety of investment objectives. The five core model strategies' corresponding tax-managed versions are designed to maximize after-tax return for a client's taxable dollars. These tax-managed models may be appropriate for clients desiring a more tax sensitive approach for their non-qualified accounts.

The current five core model strategies are:

1. Conservative;
2. Moderate;
3. Balanced;
4. Growth; and
5. Equity Growth.

Vanguard Advisers, Inc. ETF Strategic Model Portfolios-CRSP

Vanguard Advisers, Inc. (“VAI”) provides ETF models on a non-discretionary basis to Lockwood for use in the program. These strategic model portfolios are created and maintained by VAI’s Investment Strategy Group and reflect VAI’s belief in a top-down approach stressing asset allocation, broad diversification and low costs. Their model portfolio construction includes exposure to U.S and international equities as well as domestic and international fixed income securities. The VAI model portfolios also strive to maintain internal expense ratios that are lower than industry averages.

The ETF Strategic Model Portfolios are available in a number of asset allocation combinations ranging from 100% bond exposure to 100% stock exposure with models representing 20% incremental changes in between.

***IMG Equity & Balanced Strategies***

IMG Equity & Balanced Strategies portfolios include a model portfolio (IMG Strategic ETF Models) and several managed Equity & Balanced portfolios.

IMG Strategic ETF Models

IMG Strategic ETF Models are managed by Portfolio Managers from AWM’s IMG.

IMG Strategic ETF Models provide diversified portfolio solutions to meet defined risk tolerance objectives. There are ten strategic ETF models available. Models offered include:

- Taxable Income;
- Conservative Income;
- Moderate Income;
- Aggressive Income;
- Conservative Growth & Income;
- Moderate Growth & Income;
- Aggressive Growth & Income;
- Conservative Growth;
- Moderate Growth; and
- Aggressive Growth.

Each model is designed around a targeted strategic asset allocation. The following asset classes can be included in the models: cash and cash alternatives, fixed income, alternative income, commodities, currency, domestic and international equity securities. The strategic asset allocation targets provide the long-term strategic guideline. However, the models may be adjusted over time based on new research, analysis or market developments.

The annual Client Advisory Fee schedule for the IMG Strategic ETF Models is as follows:

Client Advisory Fee (Maximum)		Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$ 50,000 - \$ 250,000	2.50 %	*
\$250,001 - \$1,000,000	2.25 %	*
\$1,000,000 and up	2.00 %	*

\* The portfolio manager fees are included in the Client Advisory Fee. Note that because AWM investment advisor representatives in IMG serve as portfolio managers under this program, AWM does not assign a separate allocation for its portion of the Client Advisory Fee earned for its services as (a) program sponsor and (b) portfolio manager. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood's overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services.

### IMG Managed Equity Portfolios Philosophy & Fee Structure

Our Equity investment philosophy is built around four key characteristics:

- **Quality** – We consider quality securities to be those of established entities with proven track records, where it is reasonable to believe that our minimum goal of capital preservation will be met.
- **Value** – We consider value to be those securities where we believe the security is attractively priced relative to our analysis of future prospects.
- **Long Term Approach** – We are not short term market timers. Our goal is to construct portfolios that will perform favorably over the long haul.
- **Diversification** – Portfolios will be well diversified by both issuer and industry. We believe that this is a crucial element of risk management.

We are value-oriented and focused on consistent, long term performance. In order to accomplish these objectives, we attempt to manage a portfolio of equities that emphasizes the following characteristics:

- Good current dividends and strong potential for dividend growth.
- Fundamentally sound stocks out of favor with investors at large.
- Stocks selling at a lower than market price-to-earnings ratio.

Rather than attempting to “time” short term market swings, we seek to identify high-quality stocks that possess long term value. Our ultimate goal is to manage a portfolio of stocks providing a low degree of volatility and downside risk.

The annual Client Advisory Fee schedule for the IMG Equity and Balanced Portfolios (excluding the IMG Strategic ETF Models) is as follows:

<b>IMG Equity and Balanced Portfolios Client Advisory Fee (Maximum)</b>		<b>Maximum Portfolio Manager Fees (Included in Client Advisory Fee)</b>
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$ 50,000 - \$ 250,000	2.50 %	0.50 %
\$250,001 - \$1,000,000	2.250 %	0.50 %
\$1,000,000 and up	2.00 %	0.50 %

\* The portfolio manager fees are included in the Client Advisory Fee. Because AWM investment advisor representatives in IMG serve as portfolio managers under this program, AWM gets paid the portfolio manager fee that is included in the Client Advisory fee. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood's overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services.

#### IMG Managed Core Equity Portfolio

The IMG Managed Core Equity Portfolio is managed by Portfolio Managers from AWM's IMG.

The IMG Managed Core Equity Portfolio invests the majority of its assets in equity securities of companies that are Large-Cap (market capitalization > \$10bln) in nature, with an emphasis on domestic U.S. corporations. Although the investment philosophy and style of investing in this Portfolio is similar to that of ABG's Equity Common Trust Fund, IMG makes no representation that the past performance of ABG's Equity Common Trust Fund will predict or guarantee the future performance results of the IMG Managed Core Equity Portfolio.

Certain equity sub-classes (i.e. International and Mid-Cap) may be utilized from time to time through the use of mutual funds and ETFs. As well, from time to time, a portion of the portfolio may be held in money market funds.

#### IMG Managed Strategic Equity Portfolio

The IMG Managed Strategic Equity Portfolio is managed by Portfolio Managers from AWM's IMG.

The IMG Managed Strategic Equity Portfolio invests in equity securities of companies across multiple market capitalizations and geographic locales. The IMG Managed Strategic Equity Portfolio will utilize the strategy employed by ABG's Equity Common Trust Fund for a portion of the investments, in combination with satellite investments from higher beta equity sub-classes through the purchase of mutual funds and/or ETFs. Although a portion of the Portfolio is similar to that of ABG's Equity Common Trust Fund, IMG makes no representation that the past performance of ABG's Equity Common Trust Fund will predict or guarantee the future performance results of the IMG Managed Strategic Equity Portfolio.

Certain equity sub-classes (i.e. International, Emerging Markets, Mid-Cap, Small-Cap) may be utilized from time to time through the use of mutual funds and/or ETFs. In addition, from time to time, a portion of the portfolio may be held in money market funds.

### IMG Dividend Income and Growth (DIG) Portfolio

DIG Portfolio is managed by Portfolio Managers from AWM's IMG.

The IMG DIG Portfolio is constructed of a broadly diversified selection of dividend-paying equity securities across multiple market capitalizations and sectors in the US, though some American Depository Receipts (ADRs) may be included. The Portfolio will invest in approximately 25 – 35 securities that will typically have both an attractive current yield and the likelihood to consistently raise dividends. The Portfolio team considers the strength of the company's balance sheet, market position, corporate leadership and governance when building the Portfolio.

The Portfolio is typically fully invested and its cash position will normally be less than 5% to 10%. Some key Portfolio guidelines:

- **Guideline 1: Dividend Yield > = 2% upon inclusion/rebalancing.** The reasons we use 2% as the dividend yield requirement are: 1) The S&P500 current yield is approximately 2%; 2) Some growth companies have the ability and potential to raise dividends though they may not be paying the highest dividends currently; and 3) Avoid excessive concentration of investments in a few sectors.
- **Guideline 2: % to Target > = 20%.** As capital appreciation is an important consideration, we seek to limit portfolio exposure to equities of rich valuation.
- **Guideline 3: Financial Viability.** Cash flow sustainability and growth, liquidity, leverage, interest coverage, dividend payout policy, history and outlook, are examined to ensure the financial viability of a firm being an ongoing entity and the sustainability of its current and future dividend payouts.
- **Guideline 4: Diversification.** The portfolio will remain diversified across 10 sectors with no sector counting for more than 30% of the total portfolio's stock valuation.

### **IMG Tactical Model**

IMG Tactical Model is managed by portfolio managers from AWM's IMG. The model is comprised of allocations to a Strategic ETF Portfolio and to an absolute return strategy through a tactically managed ETF(s) or mutual fund(s). The tactical portion can be up to 100% of the portfolio allocation. IMG utilizes a proprietary research and scoring process to select the tactically managed mutual fund(s) and/or ETF(s).

This defensive strategy is focused on mitigating large losses during the pronounced declines in the equity market and participating in as much of the gains as possible when the markets are rising. The tactical ETF(s)/fund(s) use various proprietary indicators to determine if funds should be invested in risk assets or, when defensively positioned, cash equivalents and/or fixed income.

IMG's tactical model may underperform during choppy markets that lack leadership or when leadership changes in the market. Additionally, the strategy may not participate fully in rising market environments.

The following asset classes may be included in the tactical portion of the model: cash and cash alternatives, fixed income, commodities, real assets, domestic and international equity securities, and derivatives.



## **IMG Fixed Income Strategies**

Our goal with all of our IMG Fixed Strategies, which are managed fixed income portfolios, is to maximize the cash yield (primarily) and total return (secondarily) of each account, consistent with maintaining an overall investment-grade credit quality. We accomplish this via the following:

- **Upfront and ongoing credit monitoring.** We scrutinize credits prior to purchase in an attempt to avoid placing our clients in positions that are likely to deteriorate materially in quality. Our ongoing analysis of corporate and municipal issuer filings, rating agency pronouncements and news flow allows us to quickly react to deteriorating fundamentals.
- **Relative value analysis.** We continually monitor both current and historical yield relationships between various sectors of the bond market in order to position our clients in the most attractive areas. Our goal is to own securities that we believe are likely to provide a better after-tax return relative to treasury securities of similar maturity or duration.
- **Managing interest rate risk.** We monitor the duration and maturity structures of our portfolios with a goal of positioning client portfolios into the most attractive portions of the yield curve and in order to maintain an acceptable degree of interest rate risk.
- **Trading.** We utilize the services of a number of bond dealers around the country in order to obtain the best prices for our clients. Secondary market trades are generally shopped competitively, in order to ensure best execution.

IMG Fixed Income portfolio managers will make all reasonable efforts to invest client funds into a particular strategy as soon as practicable, and generally no more than sixty days from receipt of client funds into the account. Exceptions will be made for the Managed Municipal Bond Portfolio, due to the desirability of purchasing bonds at new issuance and the irregular schedule of acceptable new issues. In most cases, however, an account should be fully invested within six months. For clients desirous of a higher weighting of the portfolio being allocated to bonds issued in their state of residence, accounts should be fully invested within twelve months.

<b>IMG Fixed Income Portfolios Client Advisory Fee (Maximum)</b>		<b>Maximum Portfolio Manager Fees (Included in Client Advisory Fee) *</b>
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$100,000 - \$ 500,000	2.00 %	0.30 %
\$500,001 - \$1,000,000	1.50 %	0.30 %
\$1,000,001 - \$5,000,000	1.25 %	0.30 %
\$5,000,001 and Up	1.00 %	0.30 %

\* The portfolio manager fees are included in the Client Advisory Fee. Because AWM investment advisor representatives in IMG serve as portfolio managers under this program, AWM gets paid the portfolio manager fee that is included in the Client Advisory fee. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood's overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services.

## **IMG Managed Credit Fixed Income Portfolio**

The IMG Managed Credit Fixed Income Portfolio is a 100% fixed income portfolio, will be comprised primarily of a mix of intermediate term investment-grade corporate and securitized bonds and is managed by portfolio managers from AWM's IMG. A high yield ETF or mutual fund may be utilized from time to time in order to enhance returns. The portfolio goal is to maximize the cash yield (primarily) and

total return (secondarily) of each account, consistent with maintaining an overall investment-grade credit quality. The following guidelines and constraints apply to each portfolio:

- All individual corporate bonds must be rated at least Baa3 or BBB- by one of the three major credit ratings agencies (Moody's, Standard & Poor's and Fitch) at the time of purchase.
- In the event an issuer's rating falls below investment-grade by all three rating agencies, the security must be liquidated or reported to the IMG Investment Committee at the next scheduled meeting. Note that the Committee may approve the issuer for retention or authorize a timeline or price target for liquidation.
- Securitized bonds must be rated Aaa or AAA by one of the three major credit ratings agencies at the time of purchase. Additionally, a commercial mortgage-backed mutual fund or ETF may be used, provided the fund/ETF has been approved for use in other IMG products.
- 10% maximum concentration of the portfolio's value in the securities of any single issuer (at market value).
- Up to 10% of the portfolio's value may be invested in a high-yield mutual fund(s) or ETF(s).
- Maximum portfolio duration of 7 years.
- Portfolio leverage is not allowed, nor is an investment in ETFs created specifically to provide leverage.

#### IMG Managed Short-Term Credit Fixed Income Portfolio

The IMG Managed Short-Term Credit Fixed Income Portfolio is a 100% fixed income portfolio, will be comprised primarily of a mix of short term to intermediate-term investment grade corporate and securitized bonds and is managed by portfolio managers from AWM's IMG. A high yield ETF or mutual fund may be utilized from time to time in order to enhance returns. The portfolio goal is to maximize the cash yield (primarily) and total return (secondarily) of each account, consistent with maintaining an overall investment-grade credit quality. The following guidelines and constraints apply to each portfolio:

- All individual corporate bonds must be rated at least Baa3 or BBB- by one of the three major credit ratings agencies (Moody's, Standard & Poor's and Fitch) at the time of purchase.
- In the event an issuer's rating falls below investment-grade by all three rating agencies, the security must be liquidated or reported to the IMG Investment Committee at the next scheduled meeting. Note that the Committee may approve the issuer for retention or authorize a timeline or price target for liquidation.
- Securitized bonds must be rated Aaa or AAA by one of the three major credit ratings agencies at the time of purchase. Additionally, a commercial mortgage-backed mutual fund or ETF may be used, provided the fund/ETF has been approved for use in other IMG products.
- 10% maximum concentration of the portfolio's value in the securities of any single issuer (at market value).
- Up to 10% of the portfolio's value may be invested in a high-yield mutual fund(s) or ETF(s).
- Maximum portfolio duration of 4 years.
- Portfolio leverage is not allowed, nor is an investment in ETFs created specifically to provide leverage.

#### IMG Managed Diversified Bond Portfolio

The IMG Managed Diversified Bond Portfolio is a 100% fixed income portfolio, will be comprised primarily of a mix of short-term, intermediate-term and long-term bonds and will be broadly diversified among various fixed income sectors, including (but not limited to): U.S. treasury securities, U.S. agency

securities, residential mortgage-backed securities, investment-grade corporate bonds, commercial mortgage-backed securities and asset-backed securities). A high-yield ETF or mutual fund may also be utilized from time to time in order to enhance returns. Portfolios will be managed by Portfolio Managers from AWM's IMG. The portfolio goal is to maximize the cash yield (primarily) and total return (secondarily) of each account, consistent with maintaining an overall investment-grade credit quality. The primary benchmark for portfolios managed in this strategy will be the Bloomberg Barclays Aggregate Bond Index. The following guidelines and constraints apply to each portfolio:

- All corporate bonds must be rated at least Baa3 or BBB- by one of the three major credit ratings agencies (Moody's, Standard & Poor's and Fitch) at the time of purchase.
- No more than 15% of the portfolio's value may be invested in bonds rated below A3 or A- (by all three rating agencies) at the time of purchase.
- In the event an issuer's rating falls below investment-grade by all three rating agencies, the security must be liquidated or reported to the IMG Investment Committee at the next scheduled meeting. Note that the Committee may approve the issuer for retention or authorize a timeline or price target for liquidation.
- Securitized bonds must be rated Aaa or AAA by one of the three major credit ratings agencies at the time of purchase. Additionally, a commercial mortgage-backed mutual fund or ETF may be used, provided the fund/ETF has been approved for use in other IMG products.
- 10% maximum concentration of the portfolio's value in the securities of any single issuer (at market value).
- Up to 10% of the portfolio's value may be invested in a high-yield mutual fund(s) or ETF(s).
- Portfolio duration range of 3 to 7 years.
- Minimum average portfolio rating of A1 or A+.
- Portfolio leverage is not allowed, nor is an investment in ETFs created specifically to provide leverage.

#### IMG Managed Municipal Bond Portfolio

The IMG Managed Municipal Bond Portfolio is a 100% fixed income portfolio, comprised primarily of a mix of short term, intermediate term and long term bonds and will be invested predominantly in securities which produce income that is exempt from federal income taxes (except under extraordinary circumstances). The portfolio managers may also place a heavier emphasis on bonds issued within the client's state of residence. Portfolios will be managed by portfolio managers from AWM's IMG. The portfolio goal is to maximize the after-tax cash yield (primarily) and total return (secondarily) of each account, consistent with maintaining an overall investment-grade credit quality.

The following guidelines and constraints apply to each portfolio:

- All municipal bonds must be rated at least Baa2 or BBB by one of the three major credit ratings agencies (Moody's, Standard & Poor's and Fitch) at the time of purchase.
- In the event an issuer's rating falls below investment-grade, or is withdrawn, by all three rating agencies, the security must be liquidated or reported to the IMG Investment Committee at the next scheduled meeting. The Committee may approve the issuer for retention or authorize a timeline or price target for liquidation.
- 15% maximum concentration of the portfolio's value in the securities of any single issuer (at market value) and a 10% maximum value concentration to be allocated to a specific portfolio holding.

- Maximum portfolio duration to worst of 8 years with a maximum average maturity of 11 years. No more than 10% of a portfolio's value shall be placed in maturities of 20 years and longer.
- Portfolio leverage is not allowed, nor is an investment in ETFs created specifically to provide leverage.

Clients are encouraged to consult a tax advisor to determine if municipal bonds are an appropriate investment prior to investing in this strategy.

**Advisor Directed – Discretionary**

The Advisor Directed-Discretionary Program is a wrap fee program designed to provide investment advice through your Client Advisor, acting as a portfolio manager, for a fee based on the value of your assets in the program. Acting under the AWM advisory agreement, your Client Advisor establishes an account at Pershing for the purpose of creating a portfolio to be managed by your Client Advisor on a discretionary basis. Lockwood has no discretion over assets managed in the Advisor Directed-Discretionary Program and is not providing investment advisory services to you.

At the inception of the relationship, your Client Advisor uses your investment profile to create a congruent asset allocation and select portfolio securities. Your Client Advisor will enter transaction orders consistent with your investment profile, risk tolerance and objectives. In some cases your Client Advisor may use your investment profile, risk tolerance and objectives information in selecting a congruous Client Advisor developed portfolio strategy that is also employed for other clients with similar profiles and attributes. Currently the list of approved investments for the Advisor Directed-Discretionary Program includes mutual funds, exchanged traded funds (“ETFs”), options (limited to covered calls and purchases), fee-based unit investment trusts (“UITs”), equities, bonds and other securities.

Because of the account’s discretionary nature, your Client Advisor has full judgment over the selection and amount of investments to be purchased or sold in the account, without obtaining your prior consent or approval. Once a portfolio is constructed, your Client Advisor monitors the account and rebalances the portfolio as changes in market conditions and client circumstances warrant.

The annual Client Advisory Fee schedule for Advisor Directed – Discretionary is as follows:

Client Advisory Fee (Maximum)		Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)
Client Account Size	Client Advisory Fee	
\$ 50,000 - \$ 250,000	3.00 %	*
\$250,001 - \$1,000,000	2.50 %	*
\$1,000,000 and up	2.00 %	*

\* The portfolio manager fees are included in the Client Advisory Fee. Note that because your AWM Client Advisor serves as portfolio manager under this program, AWM does not assign a separate allocation for its portion of the Client Advisory Fee earned for its services as (a) program sponsor and (b) portfolio manager. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood’s overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services.

### **Advisor Directed – Non-Discretionary**

The Advisor Directed-Non-Discretionary Program is a wrap fee program similar to the Advisor Directed-Non Discretionary Program described above in that it is also an “advisor as portfolio manager” program, designed to provide investment advice through your Client Advisor for a fee based on the value of your assets in the program. However, in the Advisor Directed Non-Discretionary Program, your Client Advisor establishes an account at Pershing for the purpose of creating a portfolio to be managed by your Client Advisor on a **non-discretionary** basis, meaning that you remain ultimately responsible for selecting the investments for, and approving transactions in, the account.

At the inception of the relationship, your Client Advisor uses your investment profile based on recommend portfolio securities suitable for you based on an asset allocation model, consistent with your investment profile, risk tolerance and objectives. Currently the list of approved investments for the Advisor Directed-Non-Discretionary Program includes mutual funds, ETFs, options (limited to covered calls and purchases), fee-based UITs, equities, bonds and other securities.

Because the account is not discretionary nature, your Client Advisor will provide you with investment advice, but you will retain full judgment over the selection and amount of investments to be purchased or sold in the account. Once a portfolio is constructed, your Client Advisor monitors the account and will provide you with advice and recommendation regarding rebalancing the portfolio as changes in market conditions and client circumstances warrant, but Client Advisor will not have the authority to enter into any transactions without obtaining your prior consent or approval.

The annual Client Advisory Fee schedule is as follows:

<b>Client Advisory Fee (Maximum)</b>		<b>Maximum Portfolio Manager Fees* (Included in Client Advisory Fee)</b>
<u>Client Account Size</u>	<u>Client Advisory Fee</u>	
\$ 50,000 - \$ 250,000	3.00 %	*
\$250,001 - \$1,000,000	2.50 %	*
\$1,000,000 and up	2.00 %	*

\* The portfolio manager fees are included in the Client Advisory Fee. Note that because your AWM Client Advisor serves as portfolio manager under this program, AWM does not assign a separate allocation for its portion of the Client Advisory Fee earned for its services as (a) program sponsor and (b) portfolio manager. The Client Advisory Fee also includes a Platform Fee, estimated to range somewhere between .06% and .25%, charged by AWM, based upon client account size, to offset a program fee that Lockwood and Pershing charge AWM as compensation for advisory (Lockwood’s overlay/portfolio management services with respect to the Lockwood Advised Programs), administrative, clearing and custody services.

### **Modification of Client Advisory Fee Schedules/Fees Negotiable**

AWM reserves the right, in its sole discretion, to negotiate or modify (either up or down) the Client Advisory Fee schedules set forth herein for any client due to a variety of factors, including but not limited to: the level of reporting and administrative operations required to service an account, the investment strategy or style, the number of portfolios or accounts involved, assets to be placed under management and/or the number and types of services provided to the client. Because AWM’s fees are negotiable, the actual fee paid by any client or group of clients may be different from the fees reflected in AWM’s Client Advisory Fee schedules herein. The specific Client Advisory Fee schedule for a client will be identified in the AWM advisory agreement with each client.

## ***Billing***

The Client Advisory Fee is charged quarterly in advance and is calculated using the market value of all assets under management in an account. The Client Advisory Fee is calculated as of the last business day of the previous quarter by our custodian or Lockwood and is due on the first business day of each calendar quarter. The initial Client Advisory Fee is based upon the market value of all assets under management in the account at inception is due in full on the date the account is accepted by AWM and the custodian. For the period from inception date through the last business day of the then current full calendar quarter, the initial Client Advisory Fee is pro-rated accordingly. Our clearing firm debits your account for the fees charged by AWM, Lockwood, Pershing, and portfolio managers and model providers, as applicable, and remits the fees to the respective parties accordingly. Please refer to your AWM advisory agreement for specific information concerning your Client Advisory Fee and for additional information regarding our billing practices.

## ***Termination of the Advisory Relationship***

Client may terminate his or her AWM advisory agreement, without penalty, within five business days of signing, and receive a full refund of all Client Advisor Fees paid by the client. Following the initial five business day period, the AWM advisory agreement may be terminated by either party upon written notice to the other party. Upon termination of the AWM advisory agreement, AWM or the custodian will make a pro-rata refund to the client of the Client Advisory Fee paid to AWM pursuant to this Agreement for the period after the effective date of termination through the end of the then current Client Advisory Fee billing period.

## ***ERISA Accounts***

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

## ***Other Fees and Additional Compensation***

There may be other costs assessed which are not included in the Client Advisory Fee, such as fees, expenses and charges levied by mutual funds, ETFs and money market funds. In addition, there are other fees charged by the custodian, as applicable, that are not included in your Client Advisory Fee, such as costs associated with the purchase and sale of certain mutual funds and other similar securities held in your account, dealer mark-ups, mark-downs, odd-lot differentials, exchange or auction fees, transfer taxes, costs for transactions executed other than at the custodian, any fees imposed by the SEC, electronic fund and wire transfer fees, fees for client-initiated transfers, costs associated with temporary investment of your funds in a cash management account, trust services charges, annual IRA custodial fees, IRA termination fees, custodial fees for prototype pension and profit sharing plans and Keoghs, custodial fees associated with special circumstances or events, such as transfer on death, returned check fees, paper delivery surcharges for brokerage statements and trade confirmations, and other charges mandated by law. Please reach out to your Client Advisor should you have any questions relating to these charges.

AWM diligently attempts to ensure that clients' advisory accounts invest in a mutual fund's most cost efficient, non-12b-1 fee share class available in an effort to avoid having client returns reduced by 12b-1 (distribution fees for service) and lower overall investment costs for our clients. Notwithstanding these efforts, should 12b-1 fees be incurred by an AWM client advisory wrap fee program account, these fees will be rebated to the client's account.

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

### ***Cash Sweep Program***

AWM offers an automatic cash sweep program where uninvested cash balances in eligible client accounts held with Pershing will be invested in an FDIC-insured bank deposit sweep vehicle or in a money market fund. AWM's agreement with Pershing provides that Pershing will compensate AWM based on the balances of client accounts held in such sweep accounts. Consequently, the possibility of this compensation creates an incentive for AWM to make decisions for the account which would have the effect of increasing this compensation. Such compensation or payments are not credited against, and will not reduce, the Client Advisory Fees or other amounts a client owes to AWM. AWM does not receive any fees or compensation from the sweep vehicle(s) designated for IRA and ERISA accounts.

### ***Margin Accounts***

Under AWM's clearing agreement with Pershing, if a client obtains a margin loan from Pershing, AWM will receive a share of the margin interest generated on debit balances in client's margin account.

### ***Transactions Executed Away from Pershing***

Implementation and execution of transactions in the wrap fee programs are conducted by AWM as an introducing firm on a fully disclosed basis through its clearing firm, Pershing, LLC. However, portfolio managers associated with the wrap fee programs have the option of executing transactions away from Pershing if they believe it is in the client's best interests to do so. This is frequently referred to as "trading away" or "step out trading." The portfolio manager – not AWM – decides as to when it trades with Pershing or away from Pershing. A portfolio manager's ability to trade away is not limited, as the portfolio manager's fiduciary duty to clients, as well as its expertise in trading its portfolio securities, makes the portfolio manager responsible for determining the suitability of trading away from Pershing.

The wrap fees disclosed previously in this document do not cover transaction charges or other charges, including commissions, markups and markdowns, resulting from transactions effected through or with a broker dealer other than Pershing, which is the custodian. In addition, some portfolio managers executing trades in U.S. Treasury securities will incur a system cost from the portal through which the trades are processed. As a result, these trades could be more costly than trades that execute with Pershing and could negatively affect the performance of the account. Further, the additional trading costs will not be reflected on clients' trade confirmations or account statements. Typically, the executing broker will embed the added costs into the transaction price, making it difficult to determine the exact added cost for transactions executed away from Pershing.

AWM does not receive additional fees when portfolio managers execute transactions away from Pershing.

In light of the additional charges that apply to step out transactions, the portfolio manager could determine that placing clients' transactions with Pershing is in clients' best interest. Alternatively, the portfolio manager may execute transactions with a broker-dealer firm other than Pershing if the portfolio manager believes that doing so is consistent with its obligation to obtain best execution.

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

### ***Account Requirements***

Please refer to Item 4 for specific information regarding the minimum account size required for each of our programs.

### ***Types of Clients***

AWM provides the advisory services described in this Brochure to individuals, pension or profit sharing plans, trusts, charitable organizations, corporations and other business entities.

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

### ***Selection and Review of Portfolio Managers***

AWM Client Advisors generally determine which portfolio managers to recommend to clients. AWM selects portfolio managers for its wrap fee programs based upon the nature of the products offered and services provided. AWM may also add or remove portfolio managers from the programs based upon the requests of AWM Client Advisors, or for any reason, in its sole discretion. AWM uses information provided by Lockwood and portfolio managers, as well as publicly available information, in reviewing and selecting third-party portfolio managers and model managers suitable for AWM's wrap fee programs. Lockwood provides information and research to AWM with respect to managers that are research covered by Lockwood. Lockwood uses proprietary processes for screening and evaluating managers made available under its advisory platform that focuses on quantitative factors such as historical performance and volatility, as well as the manager's reputation and approach to investing.

AWM does not audit, verify, or guarantee the accuracy, completeness, or methods of calculation of any historic or future performance or other information provided by Lockwood or any third party portfolio manager. There can be no assurance that the performance information from Lockwood and portfolio manager, or other source is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

AWM's selection and review process with respect to AWM related persons serving as portfolio managers under our wrap fee programs differs from the selection and review process described above with respect to third party portfolio managers. The minimum requirements for AWM Client Advisors and other investment advisor representatives to serve as an AWM portfolio manager include college degree or satisfactory past relevant business and portfolio management experience, in addition to the required industry examinations and registrations, if any. AWM conducts a detailed annual review of its IMG portfolio management team's processes and activities as part of AWM's compliance review of its supervisory and operational departments. All associates have annual written performance reviews.



## ***Advisory Business***

AWM acts as discretionary portfolio manager for clients in the AWM Advisor Directed Discretionary Program and IMG programs. Please refer to Item 4 for a description of (a) our portfolio management services with respect to these programs, (b) how we tailor our advisory services to our clients needs and (c) clients' ability to impose reasonable restrictions on investing in certain securities or types of securities, and (d) the portion of the Client Advisory Fees that we receive for our services as portfolio manager with respect to these programs.

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

Fees based on a share of capital gains or capital appreciation of assets of a client are commonly referred to as "performance-based fees." Neither AWM nor any of its supervised persons accept performance-based fees.

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

### **Methods of Analysis**

We may use the following methods of analysis in formulating our investment advice and/or managing client assets in the programs for which we act as portfolio managers (the IMG Programs, the Adviser Directed- Discretionary Program, and the Adviser Directed-Non-Discretionary Program):

*Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Technical Analysis.* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

*Quantitative Analysis.* We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

*Qualitative Analysis.* We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

*Asset Allocation.* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

## **Investment Strategies**

As portfolio managers, we use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

*Long-term purchases.* We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- We believe the securities to be currently undervalued, and/or
- We want exposure to a particular asset class over time, regardless of the current projection for this class.

*Short-term purchases.* When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

*Use of Options.* We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. A seller, or writer, of an option contract receives a premium (credit) from the buyer and has obligations at the option's exercise. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are "calls" and "puts":

- A "call" gives us the right to buy an asset at a certain price within a specific period of time. We will buy a "call" if we have determined that the stock will increase substantially before the option expires. Additionally we could sell a call to receive a premium, keeping in mind our obligations to the buyer if the options are exercised.
- A "put" gives us, the holder, the right to sell an asset at a certain price within a specific period of time. We will buy a "put" if we have determined that the price of the stock will fall before the option expires. Additionally we could sell a put to receive a premium, keeping in mind our obligations to the buyer if the options are exercised.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a "call" option that you buy and a "call" option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

## **Risk of Loss**

Investments in securities are inherently risky and clients should be prepared to bear the risk that they could lose some or all of the money they invest. Material risk factors related to the investment strategies we may use and asset classes we may invest in include, but are not limited to, the following:

*Asset Allocation Risk* - A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

*Risks for all forms of analysis* - Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

*Long-term purchase strategy risk* - A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Risks Associated with Investing in Commodities.* An investment in commodity-linked derivative instruments may be subject to greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. Among the risks presented are market risk, credit risk, counterparty risk, leverage risk and liquidity risk. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives.

*Risks Associated with Investing in an Exchange-Traded Fund (ETF)* - ETFs are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs may trade for less than their net asset value. ETFs may have underlying investment strategy risks similar to investing in commodities, bonds, real estate, international markets or currencies, emerging growth companies, or specific sectors. Investors should consider an ETF's investment objective, risks, charges, and expenses carefully before investing.

*Convertible Securities Risk* - Convertible securities are subject to the usual risks associated with debt securities, such as interest rate risk and credit risk. Convertible securities also react to changes in the value of the common stock into which they convert, and are thus subject to market risk.

*Counterparty Risk* - The risk that a counterparty to a financial instrument entered into by the Portfolio Manager or held by a special purpose or structured vehicle becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, including making payments to the Portfolio.

- Counterparty risk involved in ETFs with full replication and ETFs with representative sampling strategies – An ETF using a full replication strategy generally aims to invest into all constituent assets in the same weightings as its benchmark. ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent assets. For ETFs that invest directly in the underlying assets rather than through synthetic instruments issued by third parties, counterparty risk tends to be of less concern.
- Synthetic replication strategies – ETFs using a synthetic replication strategy use swaps or other derivative instruments to gain exposure to a benchmark. Currently, synthetic replication ETFs can be further categorized into two forms:
- Swap-based ETFs – Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing the underlying assets. Swap-based ETFs are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.
- Derivative embedded ETFs – ETF managers may use other derivative instruments to synthetically replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers. Derivative embedded ETFs are subject to the counterparty risk of the derivative instruments' issuers and may suffer losses if such issuers default or fail to honor their contractual commitments.

*Default Risk* – The risk that the issuer of a fixed-income security or the counterparty to a contract may or will default or otherwise become unable or unwilling to honor a financial obligation, such as making interest or principal payments.

*Foreign Currency Risk* – Securities issued by foreign companies are frequently denominated in foreign currencies. The change in value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of securities denominated in that foreign currency

*Foreign Investment Risk* – The Portfolio may invest in securities of foreign issuers. Investments in securities of foreign securities are subject to risks associated with foreign markets, such as adverse political, social, and economic developments, accounting standards or governmental supervision that is not consistent with that to which U.S. companies are subject, limited information about foreign companies, and less liquidity in foreign markets. These risks may be more pronounced for investments in developing countries.

*Government Agency Risk* – Direct obligations of the U.S. Government such as Treasury bills, notes and bonds are supported by its full faith and credit. Indirect obligations issued by Federal agencies and government-sponsored entities generally are not backed by the full faith and credit of the U.S. Treasury. Accordingly, while U.S. Government agencies and instrumentalities may be chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury.

*Inflation risk* – Prices of a Portfolio's investments will likely move in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline.

*Interest Rate Risk* – Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.

*Legislative Risk* – There can be no assurance as to what actions might be taken by any federal, state or municipal legal authority that may adversely affect investments held by the Portfolio. These actions may include (but are not limited to) changes on environmental issues, regulation, social issues, and taxation.

*Liquidity Risk* – Due to a lack of demand in the marketplace or other factors, a Portfolio may not be able to sell some or all of the investments promptly, or may only be able to sell investments at less than desired prices.

*Management Risk* – The Portfolio is actively-managed. The Portfolio's value may decrease if AWM pursues unsuccessful investments or fails to correctly identify risks affecting the broad economy or specific issuers comprising the Portfolio.

*Market Risk* – The market value of securities may fall or fail to rise. Market risk may affect a single issuer, sector of the economy, industry, or the market as a whole. The market value of securities may fluctuate, sometimes rapidly and unpredictably.

*Municipal Obligation Risk* – Municipal security prices can be significantly affected by political changes as well as uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders. Because many municipal securities are issued to finance similar projects, especially those relating to education, healthcare, transportation and utilities, conditions in those market sectors can affect municipal bond prices.

*Prepayment Risk* – Issuers may choose to pay off debt earlier than the stated maturity date on a bond. When this happens, the bond fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

*Real Estate Industry and Real Estate Investment Trust (REIT) Risk* - These risks can include fluctuations in the value of the underlying properties, defaults by borrowers or tenants, market saturation, decreases in market rates for rents, and other economic, political, or regulatory occurrences affecting the real estate industry, including REITs. REITs depend upon specialized management skills, may have limited financial resources, may have less trading volume, and may be subject to more abrupt or erratic price movements than the overall securities markets. REITs are also subject to the risk of failing to qualify for tax-free pass-through of income.

*Risks in Commercial Real Estate Market* – A Portfolio's investments in commercial real estate are subject to risks affecting real estate investments generally (including market conditions, competition, property obsolescence, changes in interest rates and casualty to real estate).

*Risk of Impaired Credit Quality* – If debt obligations held by a Portfolio are downgraded by ratings agencies, go into default, or if management action, legislation or other government action reduces the issuers' ability to pay principal and interest when due, the obligations' value may decline and a Portfolio's value may be reduced. Because the ability of an issuer of a lower-rated or unrated obligation (including particularly "junk" or "high yield" bonds) to pay principal and interest when due is typically less certain than for an issuer of a higher rated obligation, lower-rated and unrated obligations are generally more vulnerable than higher-rated obligations to default, ratings downgrades, and liquidity risk. Political, economic and other factors also may adversely affect governmental issues.

*Commodities and Commodity Derivatives Investing Risk* – An investment in commodity-linked derivative instruments may be subject to greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. Among the risks presented are market risk, credit risk, counterparty risk, leverage risk and liquidity risk. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives.

*Small-Cap and Mid-Cap Risk* – Securities of small or mid-capitalization companies that may not have the size, resources and other assets of large-capitalization companies. As a result, the securities of small- or mid-cap companies held by the Portfolio may be subject to greater market risks and fluctuations in value than large-cap companies or may not correspond to changes in the stock market in general.

### ***Voting Client Securities***

AWM does not have and will not accept authority to vote client securities, with respect to any of the programs described in this Brochure, with the exception of the IMG Programs, as described below.

### **IMG Programs**

AWM acts as discretionary portfolio manager for clients in the IMG programs. The conditions that govern the IMG's authority to vote proxies on behalf of clients are contained in our advisory agreement. If Clients investing in the IMG programs elected to delegate to IMG program portfolio manager the authority to vote proxies on their behalf, pursuant the advisory agreement, IMG will vote proxies on behalf of its clients. If clients elected to vote proxies on their own behalf, they will receive proxy related information directly from their custodian.

We will vote proxies in the best interests of clients and in accordance with our established policies and procedures. It is our policy to vote client shares primarily in conformity with Glass-Lewis & Co. recommendations. Glass-Lewis & Co. is a neutral third party that issues recommendations based on its own internal guidelines. Using Glass-Lewis & Co. recommendations assist in limiting conflict of interest issues between AWM and our clients.

IMG utilizes a third party electronic voting platform, ProxyEdge (a division of Broadridge Financial Solutions, Inc.) to vote client shares. AWM or ProxyEdge retains a record of all proxy voting information for the requisite amount of time, including a copy of each proxy statement received, a record of each vote cast, and a copy of any document created that was material to making a decision on how to vote proxies.

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

You must complete an account profile with the assistance of your Client Advisor. The account profile outlines your investment objectives, financial circumstances, risk tolerance and any restrictions you may wish to impose on your investment activities. We will notify you in writing at least annually to update

your account profile and indicate if there have been any changes in your financial situation, investment objectives or instructions. You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Your Client Advisor will be reasonably available to you for consultation on these matters, and will act on any changes in your account profile deemed to be material or appropriate as soon as practical after we become aware of the change.

### ***Information Provided to Affiliated Portfolio Managers***

AWM employees who serve as portfolio managers have access to all client information obtained by AWM and Client Advisors with respect to the particular client accounts they manage.

### ***Information Provided to Non-affiliated Portfolio Managers***

Non-affiliated portfolio managers have access to potentially all client information with respect to clients whose accounts they manage through a “distributor workstation” that is used to monitor and manage client activity. Such information includes client identifying information such as name, address and tax ID; account profile information such as investment objective and risk tolerance; and administrative information such as disbursement requests, statements, confirmations and other documents prepared by the custodian, Pershing. In addition, individual portfolio managers sometimes request additional information such as copies of client account agreements, other account related agreements, such as IRA adoption forms and beneficiary designations, and IRS form W-9. To the extent AWM believes such requests are reasonably related and necessary to the services being provided by the third-party portfolio managers, AWM generally honors those requests.

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

The primary contact for clients with respect to all AWM-sponsored wrap fee advisory programs is the client’s Client Advisor, including programs where the Client Advisor acts as portfolio manager and programs where a different AWM affiliated party or third-party acts as portfolio manager. There are no restrictions on a client’s access to his or her Client Advisor. Non-affiliated portfolio managers typically service clients of multiple firms, and direct client access to those portfolio managers is, therefore, not routine. In most cases, AWM clients rely on the firm to monitor the performance and appropriateness of non-affiliated portfolio managers and to manage the relationship. Nevertheless, AWM is not aware of any prohibition against the client communicating directly with non-affiliated Portfolio Managers in appropriate. In certain instances, your Client Advisor may coordinate a response with the Portfolio Manager (if applicable) or arrange for you to consult directly with the Portfolio Manager.

## **Item 9 Additional Information**

### ***Disciplinary Information***

We are required to disclose any legal or disciplinary events that are material to a client’s or prospective client’s evaluation of our advisory business or the integrity of our management.

In May 2012, The Oklahoma Department of Securities (ODS) filed an Enforcement Division Recommendation against AWM, its broker-dealer division, and our Chief Compliance Officer, alleging violations of our written policies and procedures, as it related to our handling of verbal complaints. There were no alleged violations of illegal activities, or that any customer suffered financial loss.

In January 2013, the ODS and AWM reached a verbal settlement, with AWM agreeing to amend its policies and procedures regarding the handling of customer complaints, pay a \$20,000 fine and that the Chief Compliance Officer receive a three day suspension of his duties, as it relates to his activities in the State of Oklahoma. A final Order was entered on May 9, 2013, confirming this agreement. We have amended our policies and procedures, paid the fine and the CCO has served the suspension.

AWM, as a broker-dealer, is a member of FINRA. FINRA alleged that AWM violated rules 4 and 5 of Regulation S-P, NASD Rule 3010(a)(2) and (b)(1), and FINRA Rules 3110(a)(2), (b)(1) and 2010 by, between January 2009 and December 2016, failing to provide required initial and annual privacy notices to certain brokerage customers and also failing to establish and maintain a supervisory system reasonably designed to ensure that it was meeting its privacy notice obligations. In May 2018, without admitting or denying FINRA's findings, AWM consented to the entry of findings and to the following sanctions, including a censure, a fine in the amount of \$150,000, and an undertaking to revise as necessary its policies, procedures and internal controls, which AWM has already complied with.

You can access additional information about our firm and our management personnel on the SEC's website [adviserinfo.sec.gov](http://adviserinfo.sec.gov), and on FINRA's website, [finra.org/brokercheck](http://finra.org/brokercheck).

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

AWM is also a general securities broker/dealer, member FINRA/SIPC, registered with the SEC and various state regulatory agencies.

AWM is wholly owned by Arvest Bank, an Arkansas state chartered bank. AWM is also affiliated with Arvest Insurance, Inc., an Arkansas insurance agency and wholly owned subsidiary of Arvest Bank, offering life and health insurance products. All are wholly owned by Arvest Bank.

AWM's Client Advisors are licensed as general securities brokers, insurance agents, and registered investment advisors. AWM's investment Client Advisors may recommend that clients purchase insurance products through Arvest Insurance, Inc., or trust services through Arvest Bank; however, clients are under no obligation to purchase products or services through an affiliated financial services company.

### ***Code of Ethics***

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

AWM and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and



(ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person may have an interest or position in a certain securities which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, when the associate has received an order(s) or has knowledge of pending trades for clients, thereby; preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

### ***Review of Accounts***

While the underlying securities within an account are continually monitored by the account's portfolio managers, accounts are reviewed at least annually in writing by the Client Advisor assigned to the account. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Our clearing firm/custodian provides statements at least quarterly and confirmations of transactions that include periodic reports summarizing account performance, balances and holdings.

### ***Client Referrals***

AWM does not pay referral fees to independent persons or firms for introducing clients to us. We may pay Arvest Bank associates a nominal one-time cash award of no more than \$25, for a qualified referral to a licensed Client Advisor, which is not dependent upon a sale being made.

It is AWM's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### ***Financial Information***

Under no circumstances does AWM require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a balance sheet for our most recently completed fiscal year.

AWM is not aware of any financial condition that is reasonably likely to impair its ability to meet its commitments to its clients.

AWM has not been the subject of a bankruptcy petition at any time during the past ten years.