

BCS Wealth Management, LLC

Part 2A of ADV: Firm Brochure – March 22, 2021

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BCS Wealth Management, LLC

CRD #115489

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Johnson City, Tennessee 37604

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[www.bcswealth.com](http://www.bcswealth.com)

March 22, 2021

This Brochure provides information about the qualifications and business practices of BCS Wealth Management. If you have any questions about the contents of this Brochure, please contact us at 423-283-9821 or [LOlander@bcswealth.com](mailto:LOlander@bcswealth.com). 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.

BCS Wealth Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about BCS Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure is prepared in the revised format required beginning in 2011. Registered Investment Advisers are required to use this format to inform clients of the nature of advisory services provided, types of clients served, fees charged, potential conflicts of interest and other information. The Brochure requirements include the annual provision of a Summary of Material Changes (the “Summary”) reflecting any material changes to our policies, practices, or conflicts of interest made since our last required “annual update” filing. In the event of any material changes, such Summary is provided to all clients within 120 days of our fiscal year-end. Our last annual update was filed on March 16, 2020. If you would like a copy of the updated Brochure, please contact us at 423-283-9821 or [LOlander@bcswwealth.com](mailto:LOlander@bcswwealth.com).

Since our last annual update, our address has changed to 801 F Sunset Dr., Suite 1, Johnson City, TN 37604.

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#### **Item 4 – Advisory Business**

BCS Wealth Management, LLC (“BCSWM”) was formed in May 1998. Originally, the partners of the accounting firm of Blackburn, Childers and Steagall, PLC decided to create a firm that could assist their clients with financial planning and investment management. This decision was based on years of clients requesting advice and guidance in this important area of their lives. To that end, the firm partnered with Mike Alread, CFP® to launch BCSWM.

Nicholas Clay, Nathan Goodwin, Myra O’Dell, and SCB Partnership are Members of BCSWM. Please see **Brochure Supplement(s)** for more information on these principal owners and other individuals who formulate investment advice and have direct contact with clients or have discretionary authority over client accounts.

As of December 31, 2020, BCSWM managed approximately \$424,820,000 on a discretionary basis and \$1,451,000 in non-discretionary assets. The total firm assets under management were approximately \$426,271,000.

#### **Services Provided**

At the outset of each client relationship, BCSWM spends time with the client asking questions, discussing the client’s investment experience and financial circumstances, and broadly identifying major goals of the client.

Clients may elect to retain BCSWM to prepare a full financial plan as described below. This written report is presented to the client for consideration. In most cases, clients subsequently retain BCSWM to manage the investment portfolio on an ongoing basis.

For those financial planning clients making this election, and for other clients who do not need financial planning but retain BCSWM for portfolio management services, based on all the information initially gathered, BCSWM generally develops with each client:

- a financial outline for the client based on the client’s financial circumstances and goals, and the client’s risk tolerance level (the “Financial Profile” or “Profile”); and
- the client’s investment objectives and guidelines (the “Investment Plan” or “Plan”).

The Financial Profile is a reflection of the client’s current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments BCSWM will make or recommend on behalf of the client to meet those goals. The Profile and the Plan are discussed regularly with each client but are not necessarily written documents.

#### **Financial Planning**

One of the services offered by BCSWM is financial planning, described below. This service may be provided as a stand-alone service or may be coupled with ongoing portfolio management.

Financial planning generally includes advice that addresses one or more areas of a client’s financial situation, such as estate planning, risk management, budgeting and cash flow controls, retirement planning, education funding, and investment portfolio design. Depending on a client’s particular situation, financial planning may include some or all of the following:

- Gathering factual information concerning the client's personal and financial situation;
- Assisting the client in establishing financial goals and objectives;
- Analyzing the client's present situation and anticipated future activities in light of the client's financial goals and objectives;
- Identifying problems foreseen in the accomplishment of these financial goals and objectives and offering alternative solutions to the problems;
- Making recommendations to help achieve retirement plan goals and objectives;
- Designing an investment portfolio to help meet the goals and objectives of the client;
- Providing estate planning;
- Assessing risk and reviewing basic health, life and disability insurance needs; or
- Reviewing goals and objectives and measuring progress toward these goals.

Once financial planning advice is given, the client may choose to have BCSWM implement the client's financial plan and manage the investment portfolio on an ongoing basis. However, the client is under no obligation to act upon any of the recommendations made by BCSWM under a financial planning engagement and/or to engage the services of any recommended professional.

#### Portfolio Management

As described above, at the beginning of a client relationship, BCSWM meets with the client, gathers information, and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client or when determined to be necessary or advisable by BCSWM based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, BCSWM will manage the client's investment portfolio on a discretionary or a non-discretionary basis. As a discretionary investment adviser, BCSWM will have the authority to supervise and direct the portfolio without prior consultation with the client. Under a non-discretionary arrangement, clients must be contacted prior to the execution of any trade in the account(s) under management. This can result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

#### Separately Managed Accounts (SMAs)

BCSWM may utilize the services of a professional investment firm for clients. Independent professional managers can offer the flexibility to structure an investment portfolio to the varying needs and goals of the client. Partnering with an independent professional manager, for a certain investment style and discipline, can provide further diversification and added expertise. Typically accredited clients who require more customization and/or more specific investments goals as part of their overall investment strategy may benefit from SMAs. The advisor will discuss this option if he/she feels it is in line with the client's objectives.

#### Investment Management Services – Schwab Institutional Intelligent Portfolios®

BCSWM offers an automated investment program (the "Program") through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and mutual funds ("Funds") and a cash allocation. The client may instruct us to exclude up to three Funds from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co."). We use the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are

independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, “Schwab”). We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that helps us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that, if we use the online questionnaire, we will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

We charge clients a fee for our services as described below under **Item 5 – Fees and Compensation**. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative services fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client’s brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution.

#### Retirement Plan Advisory Services

Establishing a sound fiduciary governance process is vital to good decision-making and to ensuring that prudent procedural steps are followed in making investment decisions. BCSWM will provide Retirement Plan consulting services to Plans and Plan Fiduciaries as described below. The particular services provided will be detailed in the consulting agreement. The appropriate Plan Fiduciary(ies) designated in the Plan documents (e.g., the Plan sponsor or named fiduciary) will (i) make the decision to retain our firm; (ii) agree to the scope of the services that we will provide; and (iii) make the ultimate decision as to accepting any of the recommendations that we may provide. The Plan Fiduciaries are free to seek independent advice about the appropriateness of any recommended services for the Plan.

The Employee Retirement Income Security Act of 1974 (“ERISA”) sets forth rules under which Plan Fiduciaries may retain investment advisers for various types of services with respect to Plan assets. For certain services, BCSWM will be considered a fiduciary under ERISA. To the extent that the Plan Fiduciaries retain BCSWM to act as an investment manager within the meaning of ERISA § 3(38), BCSWM will provide discretionary investment management services to the Plan.

#### Fiduciary Consulting Services

- *Investment Monitoring*

BCSWM will assist in monitoring the plan’s investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and BCSWM will make recommendations to maintain or remove and replace investment options. The details of this aspect of service will be enumerated in the engagement agreement between the parties.

#### Fiduciary Management Services

- *Discretionary Management Services*

When retained as an investment manager within the meaning of ERISA § 3(38), BCSWM provides continuous and ongoing supervision over the designated retirement plan assets. BCSWM will actively monitor the designated retirement plan assets and provide ongoing management of the assets. When applicable, BCSWM will have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in our sole discretion without first consulting with the Plan Fiduciaries. We also have the power and authority to carry out these decisions by giving instructions, on your behalf, to brokers and dealers and the qualified custodian(s) of the Plan for our management of the designated retirement plan assets.

- *Discretionary Investment Selection Services*

BCSWM will monitor the investment options of the Plan and add or remove investment options for the Plan without prior consultation with the Plan Fiduciaries. BCSWM will have discretionary authority to make and implement all decisions regarding the investment options that are available to Plan Participants.

#### Non-Fiduciary Services

- *Participant Education*

BCSWM will provide education services to Plan Participants about general investment principles and the investment alternatives available under the Plan. Education presentations will not take into account the individual circumstances of each Plan Participant and individual recommendations will not be provided unless a Plan Participant separately engages BCSWM for such services. In certain circumstances, Plan Participants are responsible for implementing transactions in their own accounts.

### **Item 5 – Fees and Compensation**

BCSWM’s asset management fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Please see **Item 12 – Brokerage Practices** for additional information. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds (“ETFs”) also charge internal management fees which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to BCSWM’s fee.

#### Financial Planning Fees

Basic fee schedule: Fees are determined based on the estimated number of hours spent to develop and deliver the plan or based on a fixed fee. Hourly rates range from \$75 - \$250 and fixed rates range from \$1,500 - \$3,000.

Compensation fee schedule: one-third of the fee committed to the engagement letter is due upon the signing of the engagement letter; the balance is due and payable upon delivery of the final report. If an engagement is not completed, there will be a pro-rata charge made for planning services actually rendered.

**Portfolio Management Fees**

The specific manner in which fees are charged by BCSWM is established in a client’s written agreement with BCSWM. This agreement may be terminated at any time by either party hereto giving to the other at least thirty (30) days prior written notice of such termination.

BCSWM will bill fees on a quarterly basis, in advance of each calendar quarter, based on the value of the account at the end of the prior quarter. Management fees are directly debited from client’s custodial accounts and are not prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts opened during a calendar quarter will not be charged a fee for the initial partial quarter, but will be billed on the next quarterly billing cycle. Upon termination of any account, any prepaid fees will be promptly refunded. Fees paid in advance will be prorated to the date of termination and any unearned portion thereof will be refunded to client’s account(s).

As described in **Item 4 - Advisory Business**, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, SSB, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative services fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client’s brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in **Item 12 - Brokerage Practices**.

Fees are assessed as a percentage of assets under management, based on the following schedule:

<u>Assets Under Management</u>	<u>Percentage Fees</u>
\$0 - \$250,000	1.25%
\$250,000.01 - \$500,000	1.00%
\$500,000.01 - \$1,000,000	0.90%
Assets Over \$1,000,000.01	0.80%

The fee schedule can be negotiated based on circumstances applicable to the client's level of need and particular situation.

Accounts utilizing an independent professional manager (SMAs) will pay our agreed upon fee as well as the fee for the managed account professional firm. The fee for the managed account professional firm will be discussed with the client before entering an agreement. This fee will also be deducted directly from the client’s account unless otherwise discussed.

**Other Compensation**

Certain individuals are licensed to sell insurance in Tennessee and are entitled to receive commissions or other remuneration on the sale of insurance products. As such, these individuals are able to effect insurance transactions, although the customary compensation goes directly to BCSWM and not to the individuals themselves. To protect client interests, BCSWM's policy is to disclose all forms of compensation before any such transaction is executed. Under no circumstance will the client pay both a commission to BCSWM for insurance products and a management fee to BCSWM on the same pool of assets. BCSWM also has a partnership with Jones Insurance Service where we receive a percentage from referrals for property and casualty insurance products.

In addition, certain BCSWM employees are also Registered Representatives of Purshe Kaplan Sterling Investment ("PKS"), a FINRA and SIPC member, and registered broker-dealer. As such, they are entitled to receive commissions or other remuneration on the sale of insurance as well as other products. To protect client interests, BCSWM's policy is to disclose all forms of compensation before any such transaction is executed. Clients will not pay both a commission to these individuals and also pay an advisory fee to BCSWM on the same pool of assets. These fees are exclusive of each other.

As a result of this relationship, these employees may have access to certain confidential information (e.g., financial information, investment objectives, transactions, and holdings) about BCSWM clients, even if the client does not establish any account through PKS. If you would like a copy of PKS's privacy notice, please contact Nicholas Clay at (423)283-9821 or NClay@bcswwealth.com.

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

BCSWM does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because BCSWM has no performance-based fee accounts, it has no side-by-side management.

#### **Item 7 – Types of Clients**

BCSWM provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, as well as trust accounts. BCSWM does not generally impose a minimum portfolio value for conventional investment advisory services or a minimum fee.

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

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

When calculating an investment strategy for a client, BCSWM first attempts to determine the client's risk tolerance. This is partially accomplished by having the client complete a risk tolerance questionnaire. Once this information is collected and a time frame of when the client will need to use the money has been determined, we attempt to construct a portfolio. This portfolio is intended to provide the client with a return they can accept without having to sell when the market takes a down turn. BCSWM has several different strategies and these strategies will vary depending on the advisor and needs of the client.

In most cases, we attempt to purchase a diversified portfolio of no-load, commission free mutual funds or ETFs. A mutual fund brings together money from many investors and purchases stocks, bonds or other assets. One mutual fund or ETF can have from a few to several thousand individual securities. A typical portfolio will be comprised of an equity allocation, a bond allocation, and a cash (i.e., money market accounts, CDs, etc.) allocation.

The equity mutual fund/ETF allocations may include U.S. and International funds, large capitalization (well established companies) and small capitalization (small developing companies) funds. Some advisors may use REITs (real estate investment trust), emerging markets, natural resources, or precious metals among other asset classes. This allocation generally provides the growth of the portfolio as well as the most potential risk.

In the bond portion of the portfolio, BCSWM may purchase municipal (city or other local government), corporate, high-yield, and U.S. government bond funds with varying maturities and qualities. Bonds with shorter maturities and higher quality are less prone to market fluctuations as compared to longer maturities and lower quality bonds which can experience significant market swings. This allocation generally provides stability and income to the portfolio.

Below is a sample of our investment allocation strategies.

**Aggressive Strategy:** These portfolios tend to have anywhere from 80% - 100% equity exposure with the remainder in bonds and cash. They have historically provided investors with the highest returns as well as the largest losses. Typically this strategy is best suited for an investor with a long term time frame, 15 or more years, and a willingness to accept significant short term losses and volatility.

**Moderate Strategy:** These portfolios tend to have anywhere from 40% - 60% equity exposure with the remainder in bonds and cash. They have historically provided investors with reasonable returns for the amount of risk taken. Typically this strategy is best suited for an investor with a shorter time frame than the “aggressive” investor or an investor that is in or nearing retirement.

**Conservative Strategy:** These portfolios tend to have anywhere from 0% - 20% equity exposure with the remainder in bonds and cash. They have historically provided investors with lower returns but generally have not suffered the losses experienced in the other strategies. Typically this strategy is best suited for an investor that is concerned with preservation of capital or needs income for living expenses.

#### **Risk of Loss**

While BCSWM seeks to diversify clients’ investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

***Management Risks.*** While BCSWM manages client investment portfolios, based on BCSWM’s experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that BCSWM allocates client assets to individual securities and/or asset

classes that are adversely affected by unanticipated market movements and the risk that BCSWM's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Mutual Funds, ETFs, and Other Investment Pools.* As described above, BCSWM may invest client portfolios in mutual funds, ETFs, and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risks.* BCSWM will generally invest portions of client assets directly into equity investments, primarily into pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* BCSWM may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* BCSWM may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

The Program Brochure includes a discussion of various risks associated with the Program, including the risks of investing in ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition, the Program Brochure also discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

Accounts that utilize an independent professional manager (SMAs) provide broad based diversification that matches appropriate levels of risk and investment goals for a respective client. Employing an independent investment firm allows the flexibility for more specific investment strategies with professional managers that can prove valuable to a client's portfolio. Selection of independent managers

includes research, due diligence, and approval from BCSWM's investment committee. Independent managers are managed ongoing as part of client account reviews as well as in depth semi-annual reviews of the professional investment firm.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BCSWM or the integrity of BCSWM. Currently, BCSWM has no information applicable to this item.

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

BCSWM is majority owned by SCB Partnership, the Partners of which also own a public accounting practice, Blackburn, Childers & Steagall, PLC.

In addition, SCB Partnership also owns interest in First Covenant Trust & Advisors (“Covenant”) and Trinity Valuation Consulting Group (“Trinity”). Covenant is a South Dakota State-Chartered Trust Company that serves as Trustee or Executor for individuals and estates. Trinity provides business valuation services.

BCSWM and its affiliates may recommend clients utilize the services of the other entity. There is no requirement that any client of one firm use the services of the other. The services of each are separate and are performed for separate and typical compensation. These affiliations create a potential conflict of interest and may influence BCSWM's choice of trust and valuation - related services.

As noted in **Item 5 – Fees and Compensation**, certain BCSWM employees are also Registered Representatives of PKS, a FINRA and SIPC member, and registered broker-dealer.

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

BCSWM has adopted a Code of Ethics (“the Code”) for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts, and personal securities trading procedures, among other things. All supervised persons at BCSWM must acknowledge the terms of the Code.

BCSWM anticipates that, in appropriate circumstances, it will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which BCSWM and/or clients, directly or indirectly, have a position of interest. BCSWM's employees and persons associated with BCSWM are required to follow BCSWM's Code. Subject to satisfying this policy and applicable laws, partners and employees of BCSWM may trade for their own accounts in securities which are recommended to and/or purchased for BCSWM's clients.

The Code is designed to assure that the personal securities transactions, activities and interests of the employees of BCSWM 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. Under the Code, certain classes of securities have been designated as exempt transactions,

based upon a determination that these would materially not interfere with the best interest of BCSWM's clients. Nonetheless, due to the fact that the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Under the Code, employee trading is monitored in order to reasonably prevent conflicts of interest between BCSWM and its clients. Employees must report certain personal investment holdings and trading activity to the Chief Compliance Officer on a quarterly basis.

Because client accounts are invested almost exclusively in open-end mutual funds and ETFs, there is little opportunity for a conflict of interest between personal trades by BCSWM associated persons and trades in client accounts, even when such accounts invest in the same securities. However, in the event of other identified potential trading conflicts of interest, BCSWM's goal is to place client interests first.

Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Lauren Olander at 423-283-9821 or LOlander@bcswwealth.com.

### **Item 12 – Brokerage Practices**

When given discretion to select the brokerage firm that will execute orders in client accounts, BCSWM seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, BCSWM may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of BCSWM's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

BCSWM does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see **Item 15—Custody**). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. BCSWM requires that clients establish brokerage accounts with Charles Schwab & Co., Inc. (together with its affiliates, "Schwab"), a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC, as the qualified custodian to maintain custody of clients' assets. BCSWM may recommend that Trust and Estate accounts be opened at Charles Schwab Bank, member FDIC. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. Although BCSWM may recommend that clients establish accounts at Schwab, it is ultimately the client's decision to custody assets with Schwab by entering an agreement directly with them. We do not open the account for you, although we may assist you in doing so. BCSWM is independently owned and operated and is not affiliated with Schwab.

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program,

including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent advisory firms like us. Through Schwab Advisor Services, CS&Co. provides BCSWM and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services—trading, custody, reporting and related services--many of which are typically not available to CS&Co. retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us. CS&Co. also makes available various support services. Some of those services help BCSWM manage or administer our clients' accounts while others help BCSWM manage and grow our business. CS&Co.'s support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

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

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

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

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

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

CS&Co. may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS&Co. may also discount or waive its fees for some of these services or pay all

or a part of a third party's fees. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

For BCSWM client accounts maintained in its custody, CS&Co. generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through CS&Co. or that settle into CS&Co. accounts. Schwab Advisor Services™ also makes available to BCSWM other products and services that benefit BCSWM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of BCSWM accounts, including accounts not maintained at Schwab.

CS&CO. may also provide other benefits such as educational events or occasional business entertainment of BCSWM personnel. In evaluating whether to recommend that clients custody their assets at CS&Co., BCSWM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by CS&Co., which may create a potential conflict of interest.

The availability of services from CS&Co. benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, as described about under **Item 4 – Advisory Business**, we do not pay SPT fees for the Platform so long as we maintain client assets in the accounts at CS&Co. The fact that we receive these benefits from Schwab is an incentive for us to require the use of Schwab rather than making the decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our selection of CS&Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only us.

#### Directed Brokerage

BCSWM does not generally allow directed brokerage accounts.

#### Aggregated Trade Policy

BCSWM typically directs trading in individual client accounts as and when trades are appropriate based on the client's Investment Plan, without regard to activity in other client accounts. This lack of aggregation may result in higher execution charges.

### **Item 13 – Review of Accounts**

Investments held in accounts (including accounts in the Program) are reviewed on an ongoing basis. Each client's portfolio is reviewed at least annually for adherence to the Investment Plan that has been developed for the portfolio. Changes to the portfolio will be approved by the advisor in charge of that account. For those clients to whom BCSWM provides separate financial planning, reviews are conducted on an as needed or agreed upon basis. Such reviews are conducted by one of BCSWM's investment adviser representatives or principals.

Account statements are sent to clients from the account custodian, generally on a monthly basis but no less frequently than quarterly. Account custodians also provide prompt confirmation of all trading activity and year-end tax statements, such as 1099 forms.

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

As noted above, BCSWM receives an economic benefit from Schwab in the form of support products and services it makes available to BCSWM. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. These products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above under **Item 12 - Brokerage Practices**. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Schwab is not paid to refer clients to BCSWM.

BCSWM does receive commissions from Jones Insurance Service for insurance products provided to clients referred by us. These commissions create a conflict of interest and may influence BCSWM's choice of insurance and other related products to clients.

### **Item 15 – Custody**

Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct CS&Co. to deduct our advisory fees directly from the client's account. This is also the case for accounts in the Program. CS&Co. maintains actual custody of clients' assets. Clients receive account statements directly from CS&Co. at least quarterly. They will be sent to the email or postal mailing address the client provides to CS&Co. Clients should carefully review those statements promptly when received. We also urge clients to compare CS&Co.'s account statements to any reports clients receive from us. Minor discrepancies may occur due to timing of dividends, trades, or other issues.

In addition, BCSWM retains an independent public accountant to perform a "surprise examination" on certain client accounts of which our affiliate, Covenant, or an employee of one of our affiliates, acts as trustee, executor, or another role which allows them control over the account. Client Accounts that have a third-party Standing Letter of Authorization (SLOA) which do not meet the SEC's 7 conditions will also be subject to the surprise examination. First-party SLOAs are transfers that occur between accounts owned by the same individual(s) or entity where the taxpayer ID number(s) associated with each account are the same. First-party SLOAs are not subject to the surprise examination but are considered custody.

### **Item 16 – Investment Discretion**

As described in **Item 4 - Advisory Business**, BCSWM will accept clients on either a discretionary or non-discretionary basis. For *discretionary accounts*, a Limited Power of Attorney ("LPOA") is executed by the client, giving BCSWM the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and the withdrawal of advisory fees directly from the account. BCSWM then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with BCSWM and the requirements of the client's custodian.

For *non-discretionary accounts*, the client also generally executes an LPOA, which allows BCSWM to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the investment advisory agreement between BCSWM and the client, BCSWM does not implement trading recommendations or other actions in the account unless and until the client has approved the

recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to BCSWM's agreement with the client and the requirements of the client's custodian.

### **Item 17 – Voting Client Securities**

Where BCSWM has authority to vote proxies, BCSWM will seek to vote proxies in the best interest of the client(s) holding the applicable securities. In voting proxies, BCSWM considers factors that BCSWM believes relate to the client's investment(s) and factors, if any, that are set forth in written instructions from the client.

In general, BCSWM believes that voting proxies in accordance with the following guidelines, with respect to such routine items, is in the best interests of our clients. Accordingly, BCSWM generally votes **for**:

- The election of directors (where no corporate governance issues are implicated);
- Proposals that strengthen the shared interests of shareholders and management;
- The selection of independent auditors based on management or director recommendation, unless a conflict of interest is perceived;
- Proposals that BCSWM believes may lead to an increase in shareholder value;
- Management recommendations adding or amending indemnification provisions in charter or by-laws; and
- Proposals that maintain or increase the rights of shareholders.

BCSWM will generally vote **against** any proposals that BCSWM believes will have a negative impact on shareholder value or rights. If BCSWM perceives a conflict of interest, BCSWM's policy is to notify affected clients so that they may choose the course of action they deem most appropriate.

As stated earlier, BCSWM's goal is to vote proxies in the best interest of the client(s). To that end, BCSWM has engaged Broadridge Financial Solutions, Inc., a Voting Agent Service, to facilitate BCSWM's proxy voting service. A copy of our complete policy, as well as records of proxies voted, is available to clients upon request. As required under the Advisers Act, such records are maintained for a period of five (5) years.

Clients can obtain a complete copy of BCSWM's Proxy Voting Policies and Procedures, as well as ascertain how particular proxies were voted, by contacting Lauren Olander at 423-283-9821 or [LOlander@bcwealth.com](mailto:LOlander@bcwealth.com).

### **Item 18 – Financial Information**

BCSWM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item. BCSWM has no financial conditions that impairs its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy proceeding.