

**FIRM BROCHURE**  
(Part 2A of Form ADV)

March 28, 2023

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Sandeep Varma Wealth Strategies, LLC, dba ATS Wealth Management (“ATSWM”). If you have any questions about the contents of this Brochure, please contact us at (858) 643-5757. 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.

ATSWM is registered as an investment adviser with the Securities and Exchange Commission (“SEC”); however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

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

**ITEM 1: COVER PAGE**

Please refer to previous page.

**ITEM 2: MATERIAL CHANGES**

There were no material changes to the business since our last annual amendment filing on March 30, 2022. Material changes relate to ATS Wealth Management's policies, practices or conflicts of interests.

ATSWM will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of our fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as we experience material changes in the future, we will send you a summary of our "Material Changes", along with an offer to provide the Brochure under separate cover. For more information about ATSWM, please contact us at (858) 643-5757.

Additional information about ATSWM and its investment adviser representatives is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**ITEM 4: ADVISORY BUSINESS**

**A. Description of Firm**

Sandeep Varma Wealth Strategies, LLC dba ATS Wealth Management (“ATSWM” or the “Firm”) is a San Diego, California-based investment management firm founded in 2008. As further detailed in Item 4.B., below, ATSWM offers services covering the areas of financial planning and asset management. The Firm typically provides its services to individuals and high net worth individuals. Some of the investment instruments ATSWM advises its clientele on include, among other things, mutual funds, exchange traded funds (“ETFs”), variable annuities, equities, high-yield bonds, fixed income instruments including money market funds and options. The Firm also utilizes third-party asset managers, where appropriate. Additionally, dependent upon the needs of the client, the Firm will at times utilize margin in client accounts (please refer to Item 8 below for detailed information regarding the risks surrounding margin). ATSWM is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser and organized under the laws of California as a limited liability company. The Firm conducts business primarily in the State of California.

Representatives of ATSWM also act as registered representatives (“RR(s)”) and investment adviser representatives (“IAR(s)”) of Avantax Investment Services<sup>SM</sup>. (“Avantax Investment Services<sup>SM</sup>”). Such representatives perform these services under the name of ATS Advanced Trustee Strategies, Inc., a branch office and “dba” of Avantax Investment Services<sup>SM</sup>. It should be noted that while ATSWM is not affiliated with Avantax Investment Services<sup>SM</sup>, it is affiliated with ATS Advanced Trustee Strategies, Inc. through common ownership. Avantax Investment Services<sup>SM</sup> is registered with the Securities and Exchange Commission (“SEC”) as both a broker-dealer and investment adviser, and is also a member of FINRA/SIPC. Please refer to Items 4, 5, 10 and 14 for additional information pertaining to this affiliation.

ATSWM’s principal owner is Sandeep Varma, who also serves as the Firm’s President. For information on his qualifications and business background, please refer to his Form ADV Part 2B Brochure Supplement.

**B. Types of Advisory Services Offered**

ATSWM provides two types of advisory services: Financial Planning Services and Asset Management Services, both of which are more fully described below.

**1. Financial Planning Services**

ATSWM offers personalized financial planning services. The services range from comprehensive financial planning to more focused consultations, depending on the needs of each client. Generally, ATSWM first conducts a complimentary initial consultation during which pertinent information about the client’s financial circumstances and objectives is collected which involves the gathering of personal and financial data, establishing client’s needs, goals, and objectives. For more comprehensive services, the Firm reviews and analyzes the information provided by the client to develop a specific plan to meet the client’s stated objective(s). Based upon the complexity of a client’s financial situation, a financial analysis and recommendations may be provided in the following areas: retirement planning, portfolio analysis, financial planning, gifting strategies and insurance analysis, among others.

Financial analyses are based on the client’s financial situation at the time of presentation and based on the information disclosed by the client to ATSWM. Clients are advised that certain assumptions are made with respect to interest and inflation rates, use of past trends and performance of the market and

economy. Past performance is in no way an indication of future performance. ATSWM cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives, or needs change, the clients are strongly urged to promptly notify the Firm. For more information on the risks associated with investing, please refer to Item 8, below.

No client is obligated to implement any recommendations provided by the Firm. Should the client decide to follow the adviser's recommendations, typically ATSWM recommends these investment and insurance product offerings through ATSWM and/or Avantax Investment Services<sup>SM</sup>, for which certain ATSWM advisors are IARs of Avantax Investment Services<sup>SM</sup>'s advisory business, RRs of Avantax Investment Services<sup>SM</sup>'s broker-dealer and insurance agents licensed with Avantax Investment Services<sup>SM</sup>'s insurance agency (please see Item 10 below for additional information). ATSWM is not affiliated with Avantax Investment Services<sup>SM</sup>. Clients will need to sign a separate agreement to engage and compensate Avantax Investment Services<sup>SM</sup> for these services. Clients also should realize that such referrals to ATSWM and Avantax Investment Services<sup>SM</sup> represent a conflict of interest since ATSWM advisors receive fees, compensation or other concessions for products sold through their capacity as an IAR of ATSWM and/or Avantax Investment Services<sup>SM</sup>, a RR of Avantax Investment Services<sup>SM</sup> or an insurance agent. However, the client is under no obligation to purchase the products or services that ATSWM may recommend, or to purchase products through any representative of ATSWM, or through any particular advisory firm, broker-dealer or insurance agency including ATSWM and/or Avantax Investment Services<sup>SM</sup>.

In addition to their relationship with Avantax Investment Services<sup>SM</sup>, various ATSWM representatives also are licensed insurance agents through one or more additional insurance agencies. In such capacity, these representatives will offer insurance products and receive normal and customary commissions as a result of any insurance purchase.

Under all circumstances, ATSWM only makes product or service recommendations to clients if it believes it is in the clients' best interests to do so and it reminds them of any and all potential conflicts of interest at the time of the recommendation via disclosure as part of this Brochure and/or the client's agreement.

## **2. Asset Management Services**

ATSWM provides clients with ongoing asset management services, which is performed on a fully discretionary basis. The Firm typically offers five types of model portfolios: aggressive growth (100% equity model), growth (80% equity / 20% fixed income model), moderate growth (70% equity / 30% fixed income model), balanced (60% equity / 40% fixed income model) and conservative (20% equity / 80% fixed income model), each of which typically consists of stocks, mutual funds, and exchange traded funds ("ETFs"), but also typically includes high-yield bonds, fixed income instruments, money market funds and other financial products. Client account assets are invested and managed based on a model portfolio of securities that pertains to the investment strategy selected by the client. Such model portfolios are not typically customized to the client, and several clients will be invested in the same or similar strategy. However, ATSWM will at times, if deemed to be in the best interest of the client, create a customized portfolio for the client that differs from the portfolios described above.

The percentages of the model portfolios will vary at times due to market conditions, or in the sole discretion of the adviser. Further, while the Firm will at times make decisions to add or remove certain securities within a model portfolio that is applied to all clients then invested in the model portfolio; clients should be aware that model portfolios are not typically rebalanced on a continuous basis. Rather, portfolios are generally rebalanced following a client meeting, if applicable, or following the

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addition/withdrawal of client funds. Rebalancing also may occur more frequently as dictated by market conditions or if such actions are deemed by the Firm to be in the best interest of clients.

Clients that generally have \$1,500,000 or above within their investment management account(s) receive the option to have more frequent meetings with the Firm, which may result in more frequent reviews and rebalancing of their portfolio(s) than those clients with smaller amounts of assets managed by the Firm. This creates a conflict in that clients with smaller account balances could have model portfolio allocations that vary greater from the intended allocation percentages than clients with larger account balances due to less frequent rebalancing.

ATSWM recommends the type of portfolio model most suitable for the client based on a variety of factors, including the client's individual risk tolerance, time horizon and specific goals. Prior to ATSWM providing asset management services, each client is required to enter into an Investment Advisory Agreement with the Firm setting forth the terms and conditions of the engagement, including the fees as well as describing the specific scope of the services to be provided.

Please refer to Item 8 for additional information about the Firm's methods of analysis, investment strategies, and their associated risks.

While clients can place certain restrictions on their accounts, such as restricting the Firm from purchasing or selling a specific security, ATSWM does not allow clients to place restrictions on the types of industries or sectors that may be included as part of the client's account. Clients who place restrictions on their portfolios should be aware that such restrictions could affect returns experienced by such client's portfolio relative to other ATSWM clients who do not impose restrictions.

Note that cash positions may be a tactical asset, and there may be times when ATSWM recommends that a client go to cash – such as during extreme market conditions. Clients are charged ATSWM's customary asset under management fees pursuant to the terms of the Client Agreement regardless of what type of positions are held in the account. There can be no assurance that the services of the Firm will be at the lowest available cost.

**a. Use of Third-Party Advisers**

The Firm utilizes the services of an unaffiliated, independent Third-Party Adviser ("TPAs") to assist in designing and monitoring the model portfolios on a continuous basis. The TPA provides recommendations and updates to ATSWM with respect to each model portfolio pursuant to an agreement by and between ATSWM and the TPA. The Firm may terminate its relationship with the TPA at any time as the Firm may determine in its sole discretion. Clients are not required to enter into a separate agreement with the TPA, nor pay any additional fees to the TPA.

**b. Use of Sub-Advisers**

From time to time and depending on the clients' needs, the Firm will recommend one or more TPAs to manage all or a portion of client assets. The recommendation will be based on the Firm's determination that such recommendation is suitable in light of the client's stated investment objectives, guidelines and restrictions. In some cases, depending on the type of arrangement, the client will enter into a separate advisory agreement with the TPA, which will be in addition to, and distinct from the agreement with the Firm. In other cases, ATSWM will enter into an agreement with the TPA directly. At the beginning of the engagement, the client will receive a copy of the TPA's Form ADV Part 2A which includes information about the TPA's services, fees and other important disclosures and should be ready fully upon receipt.

The TPAs will usually have discretionary authority over ATSWM clients' assets allocated to them for management and authorized to buy, sell, and trade in securities in accordance with the client's investment objectives and selected investment strategy(ies), without obtaining prior approval from the client.

Once a TPA is selected, ATSWM monitors the chosen TPA to help ensure the TPA adheres to the mandates of the selected investment strategy(ies) and to help ensure the selected strategy(ies) remain suitable for the client. ATSWM's review generally includes, but is not limited to, a combination of the following: (i) assessment of the TPA's registration status; (ii) a review of the TPA's disclosure brochures, performance information, and other materials supplied by the TPA; (iii) an evaluation of the TPA's investment strategies, key personnel turnover, regulatory events, and ownership changes. As authorized by the client, ATSWM will have the ability to hire and fire the selected TPAs and reallocate client assets to other TPAs when ATSWM deems it to be in the best interest of the client.

**c. Management of Variable Annuity Sub-Accounts**

Under the Firm's sub-account management services, ATSWM offers discretionary management of the client's variable annuity contract and will make selections and exchanges between sub-accounts available from the insurance company issuing the variable annuity. Clients requesting such services will be asked to sign a separate engagement agreement with ATSWM.

Under this program, ATSWM will assist the client in completing a questionnaire which details the client's financial goals, risk tolerance and time horizon. The client will have the opportunity to place reasonable restrictions on the sub-accounts available for selection.

Model allocations are strategically developed utilizing the sub-accounts available within the variable annuity products. ATSWM may limit the product offerings at insurance companies on which investment management services are available. The limitations may be due to variable annuity sub-account options, annuity riders added to contracts or other factors. Total portfolio expenses may be higher than other mutual fund or managed portfolios based on the product, mortality and expenses and additional riders that may be added to the policy.

Clients should be aware that these sub-account management services present a conflict of interest in that, at times, the ATSWM representative performing these services will have sold the variable annuity to the client and received a commission for doing so (please see Items 5, 10 and 14 below for additional information). In such cases, ATSWM will not charge a fee for managing the variable annuity sub-accounts for twelve (12) months from the date of purchase. In some cases, fees for managing the subaccounts may be deducted from the annuity. Fee deductions are generally considered distributions from the annuity, and will affect the annuity contract terms, and typically have tax consequences. Clients are encouraged to consult with a tax professional regarding any tax ramifications related to the variable annuity. Please see Item 5 below for additional information relating to fees.

**d. Non-Managed (Courtesy) Account Services**

Upon discretion and final approval by ATSWM, some clients may be allowed to establish one or more non-managed (also known as "courtesy") accounts through TD Ameritrade and appoint ATSWM as the investment adviser to the account. While our Firm will be listed as an investment adviser on a courtesy account; courtesy accounts do not receive ongoing supervision and monitoring services like those provided to accounts through our Asset Management Services described above. The Firm will not make

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any investment recommendations and will not monitor specific securities or general portfolios for these accounts. The primary purpose for this service is to include non-managed accounts owned by the client in the performance reports and/or financial analyses provided by the Firm to those clients.

Clients are solely responsible for initiating all purchase and sale decisions of general securities held in non-managed accounts. Therefore, clients with courtesy accounts, and not ATSWM or any of our employees, will have the exclusive responsibility for the performance and monitoring of all securities that are purchased for, or held, in the non-managed account. ATSWM does not currently charge a fee for this service. However, such accounts will be charged typical fees by the custodian where assets are held (ATSWM does not receive any such fees). Clients will be required to enter into a written agreement with ATSWM prior to establishing such courtesy accounts.

**3. Newsletters and other Publications**

Mr. Varma also serves as the President to AMS Advanced Marketing Strategies, Inc., a business created for the creation and dissemination of financial market related publications. Such publications include newsletters, magazines and books focusing on the financial market. These materials are made available to clients of ATSWM at no charge. However, ATSWM typically receives compensation from unaffiliated third-parties who pay for advertising space within the magazine published through Advanced Marketing Strategies.

**4. Educational Seminars**

ATSWM provides periodic educational seminars and workshops to potential clients and the general public free of charge.

**C. Wrap-Fee Programs**

A wrap fee program is an investment program wherein the investor pays one stated fee that includes management fees, transaction costs, and certain other administrative fees. ATSWM does not participate in any wrap fee programs.

**D. General Information About ATSWM's Advisory Services**

As indicated above, advisory services provided by ATSWM take into account the individual needs, objectives, and other financial goals of the client. Early on in the relationship, ATSWM will typically memorialize each client's investment objectives, risk tolerance, time horizons and other important information, including any investment guidelines, in a client profile or similar document. This information, together with any other information relating to the client's overall financial circumstances, will be used by the Firm to determine the most appropriate asset allocation and investment strategy to best meet the client's financial goals.

ATSWM will not assume any responsibility for the accuracy of the information provided by the client. The Firm is not obligated to verify any information received from the client or from the client's other professionals (*e.g.*, attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying the Firm in writing of any material changes to the client's financial situation, investment objectives, time horizon, tax status, risk tolerance or other material information that the Firm may have relied upon in rendering its services. In the event that a client notifies the Firm of such changes, ATSWM will review the changes and may recommend revisions to the client's financial plan and/or portfolio.



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In addition, various ATSWM advisors also are licensed RRs of Avantax Investment Services<sup>SM</sup> and insurance agents through numerous insurance agencies. In such capacity, those advisors offer brokerage and/or insurance products and receive normal and customary commissions as a result.

**E. Amount of Client Assets Managed**

As of December 2022, the following represents the amount of client assets under management by ATSWM on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$ 193,163,518
Non-Discretionary	\$0
<b>Total:</b>	<b>\$ 193,163,518</b>

**ITEM 5: FEES AND COMPENSATION**

**A. Compensation for Financial Planning Services**

**1. Fees for Financial Planning Services**

ATSWM typically charges a fixed fee for its financial planning services. Generally, the Firm's minimum fixed fee is \$500, however the Firm may choose to waive or alter this fee based on the scope and complexity of the requested services, as stipulated in the client agreement. Customized proposals are available upon request. Under certain circumstances, ATSWM may offer financial planning services for an hourly rate negotiated with each client, but which typically is between \$250-\$450 per hour. The hourly rate and the flat fee may be negotiated or waived in the sole discretion of ATSWM.

Clients are generally requested to pay 50% of the estimated fee upon execution of the client agreement. An invoice for services is issued on completion of the financial plan, which is payable upon receipt.

**a. General Information Relating to Financial Planning Fees**

As further explained below, all fees paid to ATSWM for Financial Planning Services are separate and distinct from the brokerage, investment advisory and insurance fees and expenses charged by the underlying product or service recommended. Should a client elect to implement those recommendations contained in their financial plan, the client will be subject to advisory fees, brokerage fees, and/or other transaction costs. Please refer to Item 5.B., 5.C. and Item 12 for more information on fees clients may be responsible for.

Financial Planning Services fees are subject to negotiation in ATSWM's sole discretion. In addition, there can be no assurance that ATSWM's Financial Planning Services or any product recommendations contained in the financial plan are at the lowest available cost.

**B. Compensation for Asset Management Services**

For Asset Management and Managed Variable Annuity Services, ATSWM bills clients monthly, in arrears, a fee in accordance with the below fee schedule, which is paid by the client at the beginning of each calendar month for the preceding calendar month. Billable account values are calculated using the average daily balance method for the billable month. Under certain limited conditions (such as for friends and family of the firm), ATSWM may, in its sole discretion, choose to reduce or waive its fees.

Annual Fee Tiered Schedule\*

Household Size	Annual Fees
\$0 - \$250,000	1.45%
\$250,000 - \$500,000	1.40%
\$500,001 - \$750,000	1.35%
\$750,001 - \$1,000,000	1.30%
\$1,000,001 - \$1,500,000	1.25%
\$1,500,001 - \$2,000,000	1.15%
\$2,000,001 - \$4,000,000	1.00%
\$4,000,001 - \$6,000,000	0.85%
\$6,000,001 - \$10,000,000	0.70%
\$10,000,001 and Above	0.50% (Negotiable)

\*Based on various circumstances, the fees charged for certain clients may be negotiable.

**Example:**

If ATSWM is managing \$1,500,000 of assets for client's household, \$250,000 @ 1.45% plus \$500,000 @ 1.40% plus \$750,000 @ 1.35%; the total fee would equal an annualized 1.38%.

For the first billing cycle, the asset management fees will be prorated based on the number of days that the Client's account is open during the month. In the event that services are terminated mid-month, the annual fee shall be prorated through the date of termination and any earned, unpaid balance will be immediately due and payable by client.

If requested by the client in writing, ATSWM may, in its sole discretion, invoice the client directly for its investment management fees. In such instances, payment is due immediately by the client upon receipt of the invoice.

Not less than quarterly, the client's custodian will provide a statement reflecting the portfolio's holdings and previous transactions including ATSWM's asset management fee.

Client should be aware that those clients who transfer accounts from Avantax Investment Services<sup>SM</sup> to ATSWM for investment management services are generally charged fees historically assessed by Avantax Investment Services<sup>SM</sup>. These fees may be higher or lower than the fee schedule disclosed above. The exact fees such clients are charged will be included as part of the client's Agreement with ATSWM.

**C. General Information on ATSWM's Compensation and Fees**

As mentioned above, dependent upon the needs of the client, the Firm will at times utilize margin in client accounts. When utilizing margin strategies as part of a client's portfolio account, the Firm uses the "net asset value" of the client's margin accounts for determining fees. Thus, fees are only charged

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on the amount of assets in the underlying client account, not the margin portion of the account. For example, in an account where there shows \$100K in equities, but \$25K is attributable to margin, only \$75K will be included when determining fees.

As noted above, certain ATSWM representatives, including Sandeep Varma, are RRs and IARs of Avantax Investment Services<sup>SM</sup>.

When serving as RRs, Mr. Varma and such other representatives, in addition to implementing certain financial planning recommendations could place its investment advisory clients in products sold through Avantax Investment Services<sup>SM</sup> and receive a usual and customary commissions and advisory fees for doing so.

Mr. Varma (CA life, long-term care, health, disability, variable life and variable annuities license # 0790710) and other ATSWM representatives, are also licensed insurance agents with various insurance agencies. As licensed insurance agents, Mr. Varma and the other representatives recommend to clients certain insurance products sold through these various insurance companies. If a client elects to purchase such an insurance product, Mr. Varma or such other representatives receive a usual and customary commission for doing so.

To the extent that ATSWM recommends the purchase of securities, insurance or other investment products where individuals of the Firm receive commissions for doing so, a conflict of interest exists because ATSWM, and/or individuals of ATSWM, receive compensation should the clients elect to follow such recommendations. ATSWM has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of ATSWM's fiduciary duty to clients, recommendations will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client.

Further, as noted above, ATS Advanced Trustee Strategies is a dba for the branch office of Avantax Investment Services<sup>SM</sup>. ATSWM and ATS Advanced Trustee Strategies share the same office and support systems, staff and other operational efficiencies. Currently, ATS Advanced Trustee Strategies is responsible for the costs and expenses associated with these items. As such, ATSWM receives indirect compensation in that it does not directly pay for the offices, personnel and additional operational components shared with ATS Advanced Trustee Strategies.

### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

ATSWM does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client).

Consequently, the Firm does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described in Item 5, above, ATSWM provides its investment advisory services for fees based upon a percentage of assets under management.

### **ITEM 7: TYPES OF CLIENTS**

#### **A. Description**

ATSWM provides its services to individuals, high net worth individuals, charitable organization, corporations and other businesses, trusts, estates and other clientele primarily throughout California.

#### **B. Conditions for Managing Accounts**

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ATSWM generally requires a minimum portfolio size or a minimum initial investment of \$50,000 to open an account, but does reserve the right to waive this minimum and also accept or decline a potential client for any reason in its sole discretion. Prior to engaging ATSWM to provide Financial Planning and/or Asset Management Services, the client is required to enter into a written agreements with ATSWM setting forth the terms and conditions under which the Firm will render its services.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis and Investment Strategies**

ATSWM uses a variety of analytical tools to assist with its analysis of investment products and services. The sources of information used by ATSWM to perform its analysis include, but are not limited to, market news reports, financial publications, rating services, outside research reports (including Morningstar), annual reports, prospectuses, SEC filings and company press releases. Additionally, the Firm has contracted with third-parties advisers to provide technical analysis and support as to securities held within ATSWM's model portfolio strategies. Investment committee meetings occur on a regular basis to review current and potential holdings in the strategies.

The investment strategies ATSWM may pursue on behalf of clients include long- and short-term purchases and trading, including options. The Firm may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk. ATSWM may also recommend specific securities to increase sector weighting and/or dividend potential, or may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. Additionally, ATSWM may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client's risk tolerance. Please refer to Item 4 for additional information on those products which are typically recommended by ATSWM.

### **B. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Prior to engaging ATSWM to perform investment advisory services, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to five years;(2) that volatility from investing in the stock market can occur; and (3) that over time the client's assets may fluctuate and at any time be worth more or less than the amount originally invested.

Some risks of loss a client should be aware of include, but are not limited, to the following:

- **Interest-Rate Risk**: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk**: The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- **Inflation Risk**: When any type of inflation is present, a dollar a year from now will not buy as much as a dollar today because purchasing power erodes at the rate of inflation.

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- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Political and Legislative Risks:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning and with significant impact, this is especially true for companies operating outside of the United States or that conduct a portion of their business outside of the United States.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (*i.e.* interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. Generally, business risk is that a company will go bankrupt or perform below expectations. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations. Business risk can come from a variety of sources, some systemic and others un-systemic. That is, every company has the business risk that the broader economy will perform poorly and therefore that sales will be poor, and also the risk that the market simply will not like its products.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if there is an active market for the asset. For example, Treasury Bills are highly liquid, while real estate properties generally are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Options Risk:** An option is a contract to buy or sell a specific financial product officially known as the option's underlying instrument or underlying interest. For equity options, the underlying instrument is a stock, exchange-traded fund (ETF), or similar product. The contract itself is very precise. It establishes a specific price, called the strike price, at which the contract may be exercised, or acted on. It also has an expiration date. When an option expires, it no longer has value and no longer exists. Options come in two varieties, calls and puts, and you can buy or sell either type. Call contracts will expire worthless if the underlying security closes below the strike price on expiration. Put contracts will expire worthless if the underlying security closes above the strike price on expiration. Selling a covered call may limit the upside if the underlying security closes above the strike price on expiration. Special tax rules may apply, depending on the outcome. Prior to buying or selling an option, a person must read Characteristics and Risks of Standardized Options. Copies of this document may be obtained from us, from any exchange on which options are traded, on the web at <http://www.optionsclearing.com/components/docs/riskstoc.pdf> or by contacting The Options Clearing Corporation, One North Wacker Dr., Suite 500, Chicago, IL 60606 (1-888-678-4667). In no event will the Firm engage in "naked" option writing, which is the most speculative form of trading.
- **Margin Risk:** When purchasing securities, the securities may be paid for in full, or it is possible to borrow part of the purchase price from the client's account custodian or clearing firm. If

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borrowing funds in connection with the client account, the client will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to the client. If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in the account. The brokerage firm may issue a margin call and/or sell other assets in your account. It is important that each client fully understand the risks involved in trading securities on margin, which are applicable to any margin account that the client may maintain. These risks include the following: (i) the client can lose more funds than deposited in the margin account; (ii) the account custodian or clearing firm can force the sale of securities or other assets in the account; (iii) the account custodian or clearing firm can sell the client's securities or other assets without contacting the client; (iv) the client is not entitled to choose which securities or other assets in the margin account may be liquidated or sold to meet a margin call; (v) the account custodian or clearing firm may move securities held in a cash account to the margin account and pledge the transferred securities; (vi) the account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide the client advance written notice; and/or (vii) the client is not entitled to an extension of time on a margin call.

As mentioned above, ATSWM may use short-term trading as one of its investment strategies. Clients should be aware that frequent trading may result in increased brokerage and other transaction costs, and that such costs generally reduce investment returns over time.

**ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as ATSWM are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of ATSWM or the integrity of its management.

ATSWM and certain of its representatives have a disciplinary history involving certain regulatory actions, the details of which are summarized below. Should you have any questions, please contact our Chief Compliance Officer.

In March 1999, Mr. Varma's investment adviser certificate was revoked by the State of California Department of Business Oversight ("DBO") for his alleged failure to pay the renewal fee in a timely fashion. This was due to non-receipt of the renewal paperwork. Registration of the subject investment adviser was reinstated in September 1999.

In January 2018, Mr. Varma entered into a Letter of Acceptance, Waiver and Consent (No. 2014040164801) (the "AWC"). Without admitting or denying the findings, Mr. Varma submitted the AWC for the purpose of proposing a settlement of his alleged rule violation, which is summarized below:

Summary

Without admitting or denying FINRA's findings, Mr. Varma consented to sanctions and to an entry of findings resulting from his use of a seminar slide presentation during the period of September 2013 through February 2014 which promoted a complex estate planning strategy involving the use of a charitable remainder trust (CRT) that failed to comply with FINRA Rule 2210(d)(1). Specifically, Mr. Varma conducted four (4) seminar presentations attended by approximately 70 prospective clients using the seminar presentation which FINRA found failed to provide a sound basis for evaluating the CRT strategy, failed to provide a balanced discussion of the risks and rewards associated with the strategy, and contained claims that were exaggerated, promissory, and/or misleading. As a result, Mr. Varma

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violated FINRA Rule 2210 (d)(1)(A) and (B) as well as FINRA Rule 2010. As part of the AWC, Mr. Varma consented to the imposition of a \$15,000 fine and a 10-business day suspension from associating with any FINRA member firm in any capacity. A complete copy of the AWC is available at [https://www.finra.org/sites/default/files/fda\\_documents/2014040164801%20Sandeep%20Varma%20CRD%201926613%20AWC%20sl.pdf](https://www.finra.org/sites/default/files/fda_documents/2014040164801%20Sandeep%20Varma%20CRD%201926613%20AWC%20sl.pdf) or by calling our Chief Compliance Officer, Nisha S. Varma, at (858) 643-5757.

**ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Financial Industry Activities and Affiliations**

As noted above, certain ATSWM advisors, including Sandeep Varma, are RRs of Avantax Investment Services<sup>SM</sup>, a broker-dealer registered with the SEC and member of FINRA. In this capacity, Mr. Varma and such other representatives, in addition to implementing certain financial planning recommendations, place certain asset management clients in brokerage products sold through Avantax Investment Services<sup>SM</sup> and receive a usual and customary commission for doing so. Many such products have fixed commissions as they are sold through a prospectus. ATSWM and Avantax Investment Services<sup>SM</sup> are unaffiliated companies.

Mr. Varma and other ATSWM representatives are also IARs of Avantax Investment Services<sup>SM</sup> registered investment advisory firm. In this capacity, they may make products and services of Avantax Investment Services<sup>SM</sup> available to clients pursuant to a separate engagement with Avantax Investment Services<sup>SM</sup>. In this capacity, they will receive usual and customary advisory fees from Avantax Investment Services<sup>SM</sup> in their capacities as IARs.

Additionally, Mr. Varma and other ATSWM representatives are also licensed insurance agents. As licensed insurance agents, Mr. Varma and other representatives will at times recommend insurance products to clients that are sold through various insurance companies. If a client elects to purchase such an insurance product, Mr. Varma or such other representatives may receive a usual and customary commission for doing so.

To the extent that a ATSWM representative recommends the purchase of securities, insurance or other investment products where he or she may receive commissions for doing so, a conflict of interest exists because such representative receives compensation should the clients elect to follow his or her recommendations, even if such a recommendation is based on the best interest of the clients and their needs. ATSWM has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of ATSWM's fiduciary duty to clients, ATSWM representatives will endeavor at all times to put the interests of clients first, and recommendations will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client. Additionally, ATSWM has adopted a Code of Ethics for which all employees must comply, and describes, among other things, the Firm's requirements regarding outside business activities, personal trades and insider trading policies. Please see Item 11 below for additional information.

In order to further mitigate these potential conflicts of interest, neither Mr. Varma nor ATSWM receive commissions and advisory fees on the same product. They will, however, actively manage sub-accounts on variable annuity and variable life products on a client requested basis, for which they will receive an active management fee. Accordingly, the Firm's accounts are either subject to commission charges or advisory fees based on a percentage of assets under management, but not both.

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As mentioned in Item 4 above, at times the Firm will perform variable annuity sub-account management services on variable annuities sold by an ATSWM representative to clients. This presents a conflict in that the representative will receive remuneration both upon the sale of the annuity, as well as on the ongoing management of the underlying sub-accounts. To help mitigate this conflict, ATSWM will not charge a fee for managing the variable annuity sub-accounts for twelve (12) months from the date of purchase. Please see Items 4 and 5 above for additional information relating to fees. Additionally, such conflicts are disclosed to clients prior to any variable annuity purchase and/or the performance of sub-account management services.

Clients are not obligated to implement recommended transactions through any ATSWM representative or any particular broker-dealer. Clients have the option to purchase recommended investment or insurance products or services through brokers or agents other than Avantax Investment Services<sup>SM</sup> or the insurance agencies for which the client's ATSWM representative serves as an agent. While ATSWM believes its fees are competitive, clients should be aware that similar products and services may be available and cost less from other sources.

Further, as noted above, ATS Advanced Trustee Strategies is a branch office and dba of Avantax Investment Services<sup>SM</sup>. ATSWM and ATS Advanced Trustee Strategies share the same office and support systems, staff and other operational efficiencies. Currently, ATS Advanced Trustee Strategies is responsible for the costs and expenses associated with these items. As such, ATSWM receives indirect compensation in that it does not directly pay for the offices, personnel and additional operational components shared with ATS Advanced Trustee Strategies

Mr. Varma also serves as the President to AMS Advanced Marketing Strategies, Inc., a business created for the creation and dissemination of financial market related publications. Such publications include newsletters, magazines and books focusing on the financial market. These materials are made available to clients of ATSWM at no charge.

Phylip Charles Simmons is a board associate at Toby Wells YMCA Board Associate.

Phylip Charles Simmons is a member of the board at Point Loma Nazarene University MBA Graduate School.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Description of Code of Ethics**

The Firm has adopted a Code of Ethics which sets forth the professional behavior which must be followed by all ATSWM associated persons, including the Firm's President and the Firm's access persons.

ATSWM's Code of Ethics mandates that the Firm and its personnel comply with The Insider Trading and Securities Fraud Enforcement Act of 1988. To accomplish this mandate, ATSWM has adopted certain policies to prevent insider trading by the Firm and its associated persons. This policy has been distributed to all associated persons of the Firm and has been signed and dated by each person. In addition, ATSWM has adopted certain procedures for personal trading of its associated persons. This includes provisions relating to:

- Requiring all of ATSWM's employees to conduct their personal trading through approved brokers and reporting all transactions promptly to the Firm;



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- Monitoring the securities trading of ATSWM and its employees and associated persons;
- Restricting and/or monitoring trading on those securities of which the Firm's employees may have material non-public information; and
- Providing training on Code of Ethics requirements.

Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics.

ATSWM will provide a copy of its Code of Ethics to any client or prospective client upon request. To obtain a copy of ATSWM's Code of Ethics, please contact the Firm at (858) 643-5757.

ATSWM obtains information from a wide variety of publicly available resources. The Firm and its personnel do not have, nor claim to have, insider or private knowledge.

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

ATSWM and individuals associated with the Firm may buy or sell securities identical to those recommended to clients for their personal account. In order to mitigate the potential conflicts of interest associated with this practice, ATSWM's Code of Ethics requires the Firm's access persons to pre-clear certain transactions and report all transactions on a quarterly basis. ATSWM strives to, at all times, prevent such employees from benefiting from transactions placed on behalf of the Firm's advisory accounts.

### **ITEM 12: BROKERAGE PRACTICES**

When the Firm places orders for the execution of portfolio transactions for client accounts, those transactions are allocated to brokers and dealers for execution in various markets at prices and commission rates that based upon good faith judgment will be in the best interest of the client. The following discussion summarizes the material aspects of the Firm's practices for the selection of broker-dealers to execute client transactions.

#### **A. Selection Criteria**

ATSWM periodically evaluates the commissions charged and the services provided by broker-dealer custodians and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative broker-dealer custodians. Other factors the Firm may consider when evaluating its choice of broker-dealer custodian include:

- Ability to trade mutual funds and other investments that ATSWM determines suitable for a client's portfolio;
- Any custodian relationship between the client and the broker-dealer;
- Quality of customer service and interaction with ATSWM;
- Discount transaction rates; and
- Reliability and financial stability.

It is important to note that the broker-dealer custodian recommended by the Firm may not provide the lowest commission rate available taking into consideration factors outlined above.

#### **B. Best Execution**

It is the policy and practice of the Firm to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, the Firm

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will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Factors used to evaluate this may be based on, but is not limited to, the reasonableness of transaction fees charged by broker-dealer, product availability, quality of executions, research and other services available to both the client and ATSWM.

In addition, while there is no direct link between the investment advice given to clients and ATSWM's recommendation a broker-dealer custodian, certain benefits may be received by ATSWM due to this arrangement. Please refer to Item 12.B.1 and item 14B below for a detailed description of the services and benefits received by us.

### **1. Research and Other Benefits Received by ATSWM**

As indicated in Item 12.A, above, ATSWM maintains relationships with, and recommends the services of various qualified third party broker-dealer custodians. In connection with these relationships, ATSWM is eligible to receive certain benefits. Such benefits include research reports, compliance bulletins, services and seminars, computer software and other products and services to assist the Firm in research and other facets of its day-to-day activities.

Importantly, clients should understand that the use of soft dollars by the Firm is be deemed to be an indirect economic benefit to us, which creates a conflict of interest between us and our clients.

### ***TD Ameritrade Custodian Arrangement***

ATSWM participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisers certain services which include custody of securities, trade execution, clearance and settlement of transactions. ATSWM receives some benefits from TD Ameritrade through its participation in the program, which are similar to the Schwab custodian arrangement outlined below.

### **2. Directed Brokerage**

The Firm does not permit directed brokerage (whereby a client may instruct the Firm to execute some or all securities transactions for its account with or through one or more brokers designated by the client). The Firm will not allow a client to use a custodian other than the one recommended by the Firm.

### **C. Trade Aggregation and Allocation**

Transactions for each client are generally aggregated when it is practical to do so. For example, ATSWM may decide to purchase or sell the same securities for several clients at approximately the same time and may aggregate orders with other client accounts that have similar orders being made contemporaneously if it determines that such action is in the best interest of the client. However, if the same security is being purchased per client direction or pursuant to a specific individual client guideline, the Firm does not typically aggregate those trades. Therefore, it is possible that one client may receive a more advantageous or disadvantageous price compared to another client when transacting in the same security on the same day.

Benefits of "block trading" may include better execution as a result of better transaction prices, lower trade execution costs, more favorable commission rates, and ability to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might otherwise been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among the Firm's clients pro rata

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to the purchase and sale orders placed for each client on any given day. If such orders cannot be fully executed under prevailing market conditions, the Firm may allocate the securities traded among clients and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

As explained above, the Firm may or may not purchase or sell the same security for all clients that could buy the security, which is generally based on various factors such as the size of the account, cash availability and account restrictions. In addition, when trades are affected based on the needs of an individual client, such block trading may not be possible.

**ITEM 13: REVIEW OF ACCOUNTS**

**A. Periodic Reviews**

Client accounts are monitored on an ongoing basis. Model portfolios are reviewed continuously, but individual client portfolios are only typically rebalanced following client meetings with the Firm. While the Firm will at times make decisions to add or remove certain securities within a model portfolio that is applied to all clients then invested in the model portfolio; clients should be aware that model portfolios are not typically rebalanced on a continuous basis. Rather, portfolios are generally rebalanced following a client meeting, if applicable, or following the addition/withdrawal of client funds. Such meetings occur no less than annually, however, client account reviews also occur upon request by the client.

Rebalancing also may occur more frequently as dictated by market conditions or if such actions are deemed by the Firm to be in the best interest of clients. As mentioned above, clients with higher assets under management with the Firm will have the option to have their accounts reviewed more frequently than those clients who maintain smaller asset amounts with the Firm.

**B. Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews may be triggered when a client notifies the Firm of changes in his/her personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify ATSWM and its representatives of any changes in their personal financial situation that might affect their investment needs, objectives, risk tolerance, tax status, time horizon or other material information ATSWM may have relied upon during the course of providing its services.

**C. Regular Reports**

Written brokerage custodial statements are generated no less than quarterly and are sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period fee, and other related information. In addition to the regular statements clients receive from their custodian, ATSWM will prepare clients reports on a periodic basis concerning relevant accounts and its performance and holdings. In these circumstances, clients are urged to compare the statements received from ATSWM to those sent by the account custodian and other third parties.

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Incoming Referrals**

We currently engage the services of a solicitor(s) and pay compensation to them if they refer clients to us. Prior to paying such referral fees, we will ensure compliance with all local and federal securities regulation prior to paying such compensation.

**B. Referring Clients to Third Parties**

ATSWM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to a third party by the Firm.

ATSWM receives an economic benefit from its custodian/broker relationships in the form of the support products and services they make available to the Firm and other independent investment advisors that have their clients maintain accounts there. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12).

**C. Other Compensation**

As stated in Items 4, 5 and 10, above, ATSWM's President and other representatives are IARs and RRs of Avantax Investment Services<sup>SM</sup>. Mr. Varma and other ATSWM representatives are also licensed insurance agents with various insurance agencies. To the extent that a ATSWM representative recommends the purchase of securities, insurance or other investment products where he or she may receive commissions for doing so, a conflict of interest exists because such representative receives compensation should the clients elect to follow his or her recommendations, even if such a recommendation is based on the best interest of the clients and their needs. Please see Items 4, 5 and 10, above for additional information concerning such conflicts, and mitigation efforts undertaken by ATSWM.

**ITEM 15: CUSTODY**

Pursuant to applicable regulations, ATSWM is deemed to have custody of client funds because we have the authority and ability to debit fees directly from the client accounts. Additionally, certain clients have, and may in the future, sign a Standing Letter of Authorization ("SLOA") that gives the Firm the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give us custody. Custody is defined as any legal or actual ability by the firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients' managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client's account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients' accounts for which the advisory firm is deemed to have custody.

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However, the rules governing the direct debit of client fees and SLOAs exempts us from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

1. When debiting fees from client accounts, ATSWM must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, ATSWM must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to the Firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a client maintains actual physical custody of client assets. Client account statements from custodians will be sent directly to each client to the email or postal mailing address that is provided to the qualified custodian selected by the client. Clients are encouraged to compare information provided in reports or statements received by the Firm with the account statements received from their custodian for accuracy. In addition, clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct.

If client funds or securities are inadvertently received by the Firm, they will be returned to the sender immediately, or as soon as practical.

ATSWM encourages clients to raise any questions with us about the custody, safety or security of their assets.

#### **ITEM 16: INVESTMENT DISCRETION**

For ATSWM's discretionary Asset Management Services, the Firm has authority to determine, without first obtaining client's permission for each transaction: (1) the type of securities to be bought and sold, (2) the dollar amounts of the securities to be bought and sold, and (3) whether a client's transaction should be combined with those of other clients and traded as a "block." The Firm's clients grant ATSWM this discretionary authority by signing ATSWM's Client Agreement.

For clients that are receiving Financial Planning Services on a non-discretionary basis, ATSWM will make recommendations to the client regarding the purchase or sale of securities or other assets that they consider to be in the best interest of the client. The client has full discretion to accept or reject the Firm's recommendations and is responsible for implementing any accepted recommendations with any broker-dealer the client chooses.

#### **ITEM 17: VOTING CLIENT SECURITIES**

ATSWM does not accept proxy authority to vote client securities and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the client retains the responsibility for receiving and voting all proxies for securities held within the client's account. ATSWM shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

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ATSWM clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to ATSWM, we will forward them on to you and ask the party who sent them to mail them directly to you in the future.

Please note that ATSWM typically does not advise or act for client accounts with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' account.

**ITEM 18: FINANCIAL INFORMATION**

ATSWM does not require or bill clients six or more months in advance and therefore is not required to provide, and has not provided, a balance sheet. ATSWM does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.