

# Nelson Capital Management, LLC

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March 16, 2011

This Brochure provides information about the qualifications and business practices of Nelson Capital Management, LLC (“Nelson Capital” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 650-493-1000. 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.

Nelson Capital is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 16, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of the Brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting our Chief Compliance Officer, Shannon Horton, at 650-493-1000 or [shannon.m.horton@nelsoncapital.com](mailto:shannon.m.horton@nelsoncapital.com).

Additional information about Nelson Capital is also available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Nelson Capital who are registered as investment adviser representatives of Nelson Capital.

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## Item 4 – Advisory Business

Nelson Capital provides individualized investment solutions, including socially responsible investment (SRI) strategies, to individuals and institutions. Nelson Capital was founded and registered with the SEC in 1974 and acquired by Wells Fargo & Company in 2002. Nelson Capital is wholly owned by Wells Fargo & Company.

The primary focus of Nelson Capital's business is providing investment services to separately managed accounts for individuals, high net worth individuals, trusts, endowments, foundations and other institutions. In addition to wealth management services provided to individuals, Nelson Capital's institutional business is focused on managing two primary investment strategies, U.S. large cap core equity (also known as Core Growth at a Reasonable Price (GARP)) and socially responsible investing (SRI) U.S. large cap core equity.

Nelson Capital offers a wide range of asset allocations to meet clients' specific financial objectives. It is our belief that a balanced investment portfolio is the most prudent course for most investors interested in long-term growth with minimal volatility of returns. Nelson Capital selects from high-quality stocks, bonds, cash equivalents and alternative investments, and accesses other investment resources or mutual funds when appropriate.

Nelson Capital's large-cap equity style, Growth at a Reasonable Price (GARP) or Socially Responsible Investing (SRI) strategy, is characterized by high-quality companies that demonstrate leadership in growing industries and which are currently undervalued relative to the broader markets. A proprietary framework, drawing from quantitative techniques, fundamental analysis, and qualitative judgment is used to assess the attractiveness of companies. In this process, tactical sector positioning is continuously evaluated.

For fixed income investments, we review a broad spectrum of macroeconomic indicators, including various interest rate and economic forecasts. Fixed Income securities are chosen based on exemplary credit rating, competitive projected returns, and other factors that we believe make the security suitable for client portfolios. The fixed income strategy employed is also dependent on each client's tax sensitivity.

For client investments made in small capitalization common stocks and foreign securities, Nelson Capital generally invests in no-load mutual funds and/or Exchange-Traded Funds (ETFs). For clients whose investments in large and medium capitalization common stocks fall below \$300,000, Nelson Capital will also likely invest in no-load mutual funds.

As sub-adviser to the Wells Fargo Advantage Social Sustainability Fund (WSSAX) ("Social Sustainability Fund" or "the Fund"), Nelson Capital employs a similar strategy for the Fund as it does for its SRI client portfolios. Nelson Capital's process begins with a quantitative approach using fundamental valuation criteria to find strong companies that the firm believes are priced below the companies' intrinsic value. Nelson Capital then employs both exclusionary and inclusionary social

screening process. A full integration of environmental, social and governance (ESG) related factors are considered in the screening process.

Additionally, Nelson Capital offers wealth analysis for its individual and high net worth individual clients. At the core of the Nelson Capital wealth management process is an in-depth personal analysis that provides a picture of our clients' financial life. The Nelson Capital approach seeks to reduce overall risk. The analysis encompasses our clients' multi-generational estate planning, risk management, portfolio tax strategy, and charitable giving.

Nelson Capital commences each client relationship with the creation of an Investment Policy Statement ("IPS") based on the client's needs and long term goals. This process guides Nelson Capital and the client in determining significant factors which will be implemented in the management of the client relationship, including investment objectives and goals, asset allocation and risk tolerance. The IPS also addresses investment guidelines that the client wishes to impose, including but not limited to prohibited transactions, prohibited securities and/or security types.

For SRI client portfolios, Nelson Capital offers custom-designed portfolios, assisting clients in defining their financial and environmental, social, and governance (ESG) investment requirements. We use a proprietary questionnaire to better understand our clients' values. We then take our clients' ESG priorities and translate them into customized investment objectives.

Nelson Capital acts as a portfolio manager to two separate wrap programs within Wells Fargo. Nelson Capital acts as a sub-advisor to 1) the Wells Fargo Bank, N.A. Managed Diversified Portfolios ("MDP") Platform; and 2) the Wells Fargo Funds Management, LLC Separately Managed Account Program. There is no difference between the management of wrap accounts and other separately managed accounts at Nelson Capital outside of any account-specific restrictions imposed by the client. With regard to both wrap programs, Nelson Capital receives a portion of the management fee paid by the client to the wrap program sponsor, therefore the client does not pay any fee directly to Nelson Capital in connection with these programs.

As of February 28, 2011, Nelson Capital had a total of \$1.04B assets under management.

Total Discretionary Assets Under Management: \$1.018B

Total Non Discretionary Assets Under Management \$.019B

## Item 5 – Fees and Compensation

The following is Nelson Capital's standard annual fee schedule:

### EQUITY AND BALANCED ACCOUNTS

<u>Account Assets</u>	<u>Annual Fees</u>
First \$2,000,000	1.20%
Next \$3,000,000	0.80%
Over \$5,000,000	0.50%

### FIXED INCOME ONLY ACCOUNTS

<u>Account Assets</u>	<u>Annual Fees</u>
First \$5,000,000	0.50%
Next \$5,000,000	0.35%
Next \$5,000,000	0.30%
Over \$15,000,000	0.25%

The specific manner in which fees are charged by Nelson Capital is established in the client's Investment Advisory Agreement. Nelson Capital generally bills its fees on a quarterly basis and in advance of each calendar quarter. Clients may elect to be billed for fees or to authorize Nelson Capital to directly debit fees from their accounts. Management fees are not prorated for any capital contribution or withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client generally has the right to terminate an agreement upon written notice and without penalty after executing the Nelson Capital Investment Advisory Agreement.

There are no start-up fees or closing fees for investment advisory services. Fees are subject to negotiation.

Nelson Capital's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred in connection with managing the client's account. Clients may incur certain charges imposed by custodians, brokers, 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 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 Nelson Capital's fee, and Nelson Capital generally shall not receive any portion of these commissions, fees, and costs. However, if a client has directed Nelson Capital to invest a portion of their assets in the Social Sustainability Fund, Nelson Capital may receive compensation from this investment as Nelson Capital receives a management fee for sub-advising the Fund based on the Fund's total assets under management. This potential conflict of interest is mitigated by Nelson Capital's policy to invest client assets in the Fund only if directed by the client and additionally to not charge a management fee with respect to any managed assets invested in the Fund.

Item 12 further describes the factors that Nelson Capital considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

Nelson Capital does not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a client).

## **Item 7 – Types of Clients**

Nelson Capital provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, banking institutions, charitable institutions, foundations, endowments, registered mutual funds, trust programs and other institutions.

Nelson Capital requires a minimum account size of \$1M for equity or balanced accounts and \$2M for fixed income only portfolios.

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

The Nelson Capital Management Investment Committee (the "Investment Committee") was created to provide a forum to discuss economic outlook, compelling and suitable investment opportunities, and current portfolio holdings. The Investment Committee is responsible for all investment decisions for each of the Nelson Capital investment strategies.

For Nelson Capital's core equity strategies, it employs a combination of a top-down and bottom-up investment analysis to guide investment decisions. From a top-down perspective, the Investment Committee assesses the current state of the economy and examines beliefs about the direction of the economy and thematic drivers of growth to inform asset allocation decisions and equity sector weights. Fundamental and quantitative screens are utilized to identify individual securities of interest. Through a bottom-up analysis, companies are analyzed using a framework of growth,

valuation, quality, and controversy, and are vetted by the Investment Committee for inclusion into each investment strategy. For social investment portfolios, the securities' environmental, social and governance (ESG) profiles are evaluated qualitatively through discussions with company management, use of social research vendors and proprietary research.

Investing in securities involves risk of loss that clients should be prepared to bear. Nelson Capital's investment methods do not guarantee better performance and cannot eliminate the risk of investment loss.

For each investment strategy, material risks include the risk relating to investment decision-making. The Investment Committee makes investment decisions based on a variety of research and information that is either generated through third-party vendors or proprietary research. Nelson Capital believes the information it receives and generates is reliable. However, there is no guarantee that the investment decisions will result in investment gain.

Because the social screens applied to an SRI account/portfolio may exclude securities of certain issuers, industries and sectors for reasons beyond financial and economic considerations, Nelson may forgo some available market opportunities. As a result, the account/portfolio investment returns may be adversely affected. In addition, Nelson will generally sell the securities of a company that no longer meets the social screens; its portfolio turnover rate may be higher than it would be otherwise.

Nelson Capital primarily invests in equity securities, mutual funds, ETFs, and fixed income securities. Risks include but are not limited to systemic risk (as pertaining to monetary and fiscal policies and regulation) and market risk (interest rates, liquidity). The value or income associated with a security or an investment may fluctuate. Nelson Capital invests in securities that are not insured by the Federal Deposit Insurance Corporation (FDIC) and may be unsuitable for some investors depending on their specific investment objectives and financial position. Fixed income securities are subject to availability and market fluctuation. These securities may be worth less than the original cost upon redemption. Certain high-yield/high-risk bonds carry particular market risks and may experience greater volatility in market value than investment grade corporate bonds. Government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and fixed principal value. Interest from certain municipal bonds may be subject to state and/or local taxes and in some instances, the alternative minimum tax. Municipal bonds are debt instruments issued by municipalities. Residents of a municipality who purchase its bonds generally receive tax-free interest income from the bonds.

Asset allocation does not assure or guarantee better performance and cannot eliminate the risk of investment losses.



## **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 Nelson Capital or the integrity of Nelson Capital's management. Nelson Capital has no information applicable to disclose in this regard.

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

Neither Nelson Capital nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Nelson Capital nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

Nelson Capital Management, LLC, is a wholly owned subsidiary of Wells Fargo Investment Group, Inc., which in turn is wholly owned by Wells Fargo & Company, one of the largest banking institutions in the United States. Wells Fargo Bank, N.A. ("WFB") which is also wholly owned by Wells Fargo & Company, has a large investment management and trust business that may delegate or refer business to Nelson Capital. Certain clients of Nelson Capital may have their account custodied at WFB. Personnel at Nelson Capital would not have signing authority over these accounts. Clients may or may not pay separate custody fees for this service. In either case, if referrals are made, the individuals making the referrals may receive incentive compensation as an employee of WFB. In addition, Nelson Capital may refer WFB for custodial servicing to prospective clients, however, there is no undue influence in making such a referral as Nelson Capital is not compensated for referrals. As instructed by WFB, Nelson Capital places trades for WFB managed accounts with the WF Investment Management & Trust trading desk, but trades are executed with unaffiliated broker-dealers. Nelson Capital serves as a sub-adviser to the WFB Managed Diversified Portfolios Platform (wrap program). As instructed by WFB, Nelson Capital places trades for WFB managed accounts with the WF wrap program trading desk, but trades are executed with unaffiliated broker-dealers.

Nelson Capital is also an affiliate of Wells Fargo Advisors, LLC ("WFA"), a registered broker-dealer and investment adviser. Certain clients of Nelson Capital may have their account custodied at WFA. Personnel at Nelson Capital would not have signing authority over these accounts. Clients may or may not pay separate custody fees for this service. In either case, if referrals are made, the individuals making the referrals may receive incentive compensation as an employee of WFA. As

instructed by WFA, Nelson Capital places trades for WFA managed accounts with WFA's trading desk and while certain trades may be executed at WFA, per the clients' agreement with WFA, these accounts are charged a quarterly management fee by WFA and do not pay trading commissions.

Nelson Capital serves as sub-adviser to the Social Sustainability Fund. Wells Fargo Funds Management, LLC ("WFFM"), a subsidiary of Wells Fargo & Company and an affiliate of Nelson Capital, is the investment adviser for the Fund and directs the sub-advisory relationship with Nelson Capital pursuant to an advisory contract for the Fund. WFFM also acts as administrator to the Fund. Additionally, Nelson Capital also serves as a sub-adviser to the WFFM Separately Managed Account program. Nelson Capital does not place trades for this wrap program. Nelson Capital provides recommendations with respect to the social sustainability investment strategy to WFFM for implementation and execution.

Wells Fargo Alternative Asset Management, LLC ("WFAAM") and Alternative Strategies Group, Inc. ("ASGI") are affiliates of Nelson Capital that manage domestic and offshore hedge funds. While evaluating a client's financial goals, Nelson Capital may qualify WFB clients to invest in one or more of their investment products. In all cases, the referred client will be an accredited investor who meets the standards applicable to Regulation D under the Securities Act of 1933 or a trust client of WFB. There is no material conflict presented by Nelson Capital recommending WFAAM and/or ASGI funds as WFB clients are not charged an advisory management fee with respect to assets invested in proprietary funds.

As previously discussed, Nelson Capital serves as the sub-adviser to the Fund. In certain instances, clients may direct Nelson Capital to invest a portion of their assets in the Fund, Nelson Capital may receive compensation from this investment as Nelson Capital receives a management fee for sub-advising the Fund based on the Fund's total assets under management. This potential conflict of interest is mitigated by Nelson Capital's policy to only invest client assets in the Fund if directed by the client and additionally to not charge a management fee with respect to any managed assets invested in the Fund.

Nelson Capital has entered into an agreement with an affiliated investment adviser, Wells Capital Management Inc. ("WellsCap"), in order to make an emerging markets environmental, social and governance investment management strategy (the "Emerging Markets Blue Strategy") available to clients of WellsCap. Under this agreement, Nelson Capital is responsible for providing WellsCap with non-discretionary advisory, consulting, research and other services which WellsCap shall use to manage certain funds or separately managed accounts in the Emerging Markets Blue Strategy.

Additionally, Nelson Capital has entered into an agreement with WellsCap whereby WellsCap serves as an introduction agent and shall be responsible for the introduction of prospective new clients to Nelson Capital which may invest in products and services offered by Nelson Capital.

WellsCap, with the consent of Nelson Capital, may utilize third parties in its role as Introduction Agent and specifically may engage the services of European Credit Management Limited, which is another investment adviser affiliated with Nelson Capital and WellsCap.

## Item 11 – Code of Ethics

In accordance with Rule 204A-1 under the Investment Advisers Act of 1940 and Rule 17j-1 under the Investment Company Act of 1940, Nelson Capital has adopted a Code of Ethics Policy on Personal Securities Transactions and Insider Trading (the “Code of Ethics”), which covers all employees defined as “Advisory Persons” as well as all “Access Persons” defined as non-employees who have access to certain non-public information about Nelson Capital. The Code of Ethics sets forth Nelson Capital’s standard of business conduct and requires its Advisory and Access Persons to comply with federal and states securities laws. The Code of Ethics requires, among other things, advance approval of certain purchases and sales by Access and Advisory Persons, includes provisions relating to the confidentiality of client information and a prohibition on insider trading. In addition, Advisory and Access Persons are required to report their securities transactions at the end of every calendar quarter, and provide a report of their brokerage accounts and holdings, at the commencement of employment and annually thereafter. All Access and Advisory Persons of Nelson Capital must acknowledge the terms of the Code of Ethics, as amended, promptly upon commencement of employment and annually thereafter. Violations of the Code of Ethics may lead to dismissal and referral to federal and state enforcement agencies. Nelson Capital’s clients or prospective clients may request a copy of the firm’s Code of Ethics by contacting Nelson Capital’s Chief Compliance Officer, Shannon Horton, at 650-493-1000 or [shannon.m.horton@nelsoncapital.com](mailto:shannon.m.horton@nelsoncapital.com).

Additionally, Nelson Capital’s Access and Advisory Persons are subject to the Wells Fargo Code of Ethics and Business Conduct which sets forth Wells Fargo’s policy and standards concerning ethical conduct for all team members.

Nelson Capital anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which Nelson Capital has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Nelson Capital, its affiliates and/or clients, directly or indirectly, have a position of interest. Nelson Capital’s employees and persons associated with Nelson Capital are required to follow the Nelson Capital Management Code of Ethics. See Item 10 above for further detail regarding particular situations where conflicts may arise and how we address those potential conflicts of interest.

Nelson Capital’s affiliates are engaged in a broad spectrum of activities, including financial advisory activities, and have extensive activities that are independent from and may from time to time conflict with those of Nelson Capital’s clients. Nelson Capital’s affiliates are actively engaged in transactions in the same securities and instruments in which Nelson Capital’s clients may be invested.

Subject to satisfying the Code of Ethics and applicable laws, officers, directors and employees of Nelson Capital and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Nelson Capital’s clients. The Code of Ethics is designed to

assure that the personal securities transactions, activities and interests of the employees of Nelson Capital 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 of Ethics certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Nelson Capital's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics 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. Employee trading is continually monitored under the Code of Ethics. Certain affiliated accounts (i.e. employee accounts managed by Nelson Capital) may trade in the same securities with other client accounts on an aggregated basis when consistent with Nelson Capital's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Nelson Capital will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is Nelson Capital's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Nelson Capital will also not cross trades between client accounts.

## **Item 12 – Brokerage Practices**

In most cases, Nelson Capital has discretion to select brokers or dealers to be used in its clients' securities transactions, and will seek to obtain the best execution reasonably available under the circumstances for such transactions. Where Nelson Capital has discretion to place orders for the execution of portfolio transactions for clients, Nelson Capital may allocate such transactions to such brokers and dealers for execution on such markets, at such prices and at such commission rates (which might have been charged for execution on other markets or by other brokers or dealers) as in the good faith judgment of Nelson Capital will be in the best interest of the clients, taking into consideration in the selection of such brokers and dealers not only the available prices and rates of

brokerage commissions, but also other relevant factors (such as, without limitation, execution capabilities and research, custodial and other services provided by such brokers and dealers which are expected to enhance the general portfolio management capabilities of Nelson Capital, the size of the transaction, the difficulty of execution, the operational facilities of the broker and/or dealer involved, the risk in positioning a block of securities, the quality of the overall brokerage and research services provided by the broker and/or dealer, and the value of an ongoing relationship of Nelson Capital with such brokers and dealers) without having to demonstrate that such factors are of a direct benefit to a client. Nelson Capital will not obligate itself to obtain the lowest commission or best net price for any client on any particular transaction. In furtherance of its best execution objective, Nelson Capital has adopted a Best Execution Policy in order to seek to ensure that Nelson Capital meets its fiduciary duties with respect to brokerage practices and its duty to obtain best execution.

Nelson Capital Management does not engage in soft dollar practices.

Nelson Capital does not consider client referrals when selecting or recommending broker-dealers for security trading purposes. However, in certain instances, Nelson Capital may recommend certain broker-dealers to provide services to its clients.

Nelson Capital may recommend that clients establish brokerage accounts with the Schwab Institutional® division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Nelson Capital may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Nelson Capital is not affiliated with Schwab.

Schwab provides Nelson Capital with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them, so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab. These services are not contingent upon Nelson Capital committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For Nelson Capital client accounts maintained in its custody, Schwab 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 Schwab or that settle into Schwab accounts.

Schwab's products and services that assist Nelson Capital in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Nelson Capital's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help Nelson Capital manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Nelson Capital. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Nelson Capital. Schwab may also provide other benefits such as educational events or occasional business entertainment of Nelson Capital personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Nelson Capital 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 the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Nelson Capital does not recommend, request or require clients to direct us to execute transactions through a specified broker-dealer. However, certain of Nelson Capital's clients direct Nelson Capital to cause all or some of the transactions for such client to be executed through a specified broker. In evaluating such directed brokerage arrangements, a client should consider that (a) Nelson Capital will not negotiate brokerage commissions with respect to transactions executed by the specified broker, and as a result, depending upon certain circumstances, such client may not gain the benefit of potentially lower commissions that Nelson Capital may obtain for other clients by aggregating orders and therefore may pay higher commissions than those paid by other clients of Nelson Capital that have not directed Nelson Capital to execute transactions through a specified broker, and (b) a client may not receive best execution with respect to certain of such transactions.

### **Item 13 – Review of Accounts**

Client accounts are reviewed on an ongoing basis by Nelson Capital's Relationship Managers and Portfolio Managers. Individual portfolio compositions are reviewed, performance (both absolute and relative) is examined, and, where appropriate, individual security holdings are discussed.

More frequent reviews may be triggered by changes in a client's financial goals, market conditions, and any other event Nelson Capital deems significant.

Nelson Capital provides clients with a quarterly client status report showing all portfolio holdings, year-to-date realized transactions, income summary and portfolio summary. Additionally, clients receive monthly or quarterly account statements from their custodian.

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

Nelson Capital receives client referrals from Charles Schwab and Co., Inc. (“Schwab”) through Nelson Capital’s participation in the Schwab Advisor Network (the “Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Nelson Capital. Schwab does not supervise Nelson Capital and has no responsibility for Nelson Capital’s management of clients’ portfolios or Nelson Capital’s other advice or services. Nelson Capital pays Schwab fees to receive client referrals through the Service. Nelson Capital’s participation in the Service may raise potential conflicts of interest described below.

Nelson Capital pays Schwab a participation fee (“Participation Fee”) on all referred clients’ accounts that are maintained in custody at Schwab and a non-Schwab custody fee (“Non-Schwab Custody Fee”) on all referred accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Nelson Capital is a percentage of the value of the assets held in the client’s account. Nelson Capital pays Schwab a Participation Fee for as long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to Nelson Capital quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Nelson Capital and not by the client. Nelson Capital does not charge clients referred through the Service fees or costs greater than the fees or costs Nelson Capital charges clients with similar portfolios who were not referred through the service.

Nelson Capital generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by Schwab or assets in the account are transferred from Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Nelson Capital generally would pay in a single year. Thus, Nelson Capital has an incentive to recommend that referred client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Nelson Capital’s clients who were referred by Schwab and those referred clients’ family members living in the same household. Thus, Nelson Capital will have an incentive to encourage household members of clients referred through the Service to maintain custody of their accounts at Schwab.

For accounts of Nelson Capital’s clients maintained in custody at Schwab, Schwab generally does not charge the client separately for custody, but will receive compensation from the client in the form of commissions or other transaction-related compensation on securities trades Schwab executes for the client’s account. Schwab will also receive a fee for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab’s fees for trades executed at other broker-dealers are in addition to the other broker-dealer’s fees. Thus, Nelson Capital may

have an incentive to cause trades to be executed at Schwab, rather than another broker-dealer. Nelson Capital, nevertheless, acknowledges its duty to seek best execution on all trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Nelson Capital's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Additionally as discussed in Item 10, Nelson Capital has entered into an agreement with WellsCap whereby WellsCap serves as an introduction agent and shall be responsible for the introduction of prospective new clients to Nelson Capital which may invest in products and services offered by Nelson Capital. Please refer to Item 10 above for further detail.

### **Item 15 – Custody**

Clients should receive statements at least as frequently as quarterly from the broker-dealer, bank or other qualified custodian that holds and maintains the clients' investment assets. Nelson Capital urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Nelson Capital generally receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Nelson Capital observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Nelson Capital's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Nelson Capital in writing.



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

Proxy voting is generally included in the discretionary authority Nelson Capital has over an account. Nelson Capital will vote all shares held on behalf of clients unless a client has provided written direction that the client has retained the responsibility to do so or delegated it to someone else. Clients may provide Nelson Capital with direction on a particular solicitation; however, any direction must be given in writing and within a reasonable time prior to the proxy vote deadline for Nelson Capital to execute the client's direction.

Nelson Capital has adopted a Proxy Voting Policy and Procedures ("Nelson Capital Proxy Voting Policy") and; to specifically address the voting guidelines aspect of the policy, Nelson Capital has adopted Wells Fargo Bank's Proxy Guidelines and Philosophy ("Proxy Guidelines") established by the Wells Fargo Proxy Committee. Nelson Capital has established a proxy voting committee ("Proxy Committee") to ensure that proxies are voted in the best interests of shareholders. The Proxy Committee exercises its voting responsibility as a fiduciary, with the goal of maximizing value to shareholders consistent with the governing laws and investment policies of each portfolio.

While securities are not purchased to exercise control or to seek to effect corporate change through share ownership, Nelson Capital supports sound corporate governance practices within companies in which it invests. With respect to issues for which a vote for or against is specified by the Proxy Guidelines, Nelson Capital has the authority to perform a case-by-case review of each matter and may elect to deviate from the voting guidelines, provided; however, that such authority to deviate from the Proxy Guidelines shall not be exercised if Nelson Capital is aware of any conflict of interest (e.g., Wells Fargo and/or Nelson Capital or its affiliates have other relationships with the issuer of the proxy). Additionally, in accordance with the Nelson Capital Proxy Voting Policy, proxies for accounts that employ a socially responsible investment strategy may be deviate from the Nelson Capital voting guidelines and/or other Nelson Capital accounts.

Any client may obtain detailed information regarding Nelson Capital's Proxy Voting Policy, including information on how Nelson Capital voted the proxies on securities it held in the client's account, by contacting Nelson Capital's Chief Compliance Officer, Shannon Horton, at (650) 493-1000 or [shannon.m.horton@nelsoncapital.com](mailto:shannon.m.horton@nelsoncapital.com).

## **Item 18 – Financial Information**

Nelson Capital has no financial commitment that impairs its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.