

**WESCAP Management Group, Inc.  
dba WESCAP GROUP**

**303 N. Glenoaks Blvd.  
Suite #905  
Burbank, California 91502**

**Telephone: 818.563.5170  
Facsimile: 818.563.5174**

**[www.wescapgroup.com](http://www.wescapgroup.com)**

**March 26, 2012**

**FORM ADV PART 2**

**BROCHURE**

**This Brochure provides information about the qualifications and business practices of WESCAP Group. If you have any questions about the contents of this Brochure, please contact us at 818.563.5170. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about WESCAP Group is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for WESCAP Group is 104759.**

**WESCAP Group is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, WESCAP Management Group, Inc. will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

## Item 3 Table of Contents

|   |         |
|---|---------|
| Item 1 Cover Page   | Page 1  |
| Item 2 Material Changes   | Page 2  |
| Item 3 Table of Contents  | Page 3  |
| Item 4 Advisory Business  | Page 4  |
| Item 5 Fees and Compensation  | Page 7  |
| Item 6 Performance-Based Fees and Side-By-Side Management                                     | Page 7  |
| Item 7 Types of Clients   | Page 7  |
| Item 8 Methods of Analysis, Investment Strategies and Risk of Loss                            | Page 8  |
| Item 9 Disciplinary Information   | Page 10 |
| Item 10 Other Financial Industry Activities and Affiliations                                  | Page 10 |
| Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading | Page 11 |
| Item 12 Brokerage Practices   | Page 12 |
| Item 13 Review of Accounts  | Page 14 |
| Item 14 Client Referrals and Other Compensation   | Page 14 |
| Item 15 Custody   | Page 15 |
| Item 16 Investment Discretion   | Page 15 |
| Item 17 Voting Client Securities  | Page 15 |
| Item 18 Financial Information   | Page 16 |
| Item 19 Requirements for State Registered Investment Advisers                                 | Page 16 |
| Item 20 Additional Information  | Page 16 |

## Item 4 Advisory Business

### Description of Services and Fees

WESCAP Management Group, Inc., doing business as ("dba") WESCAP Group, is a registered investment adviser based in Burbank, California. We are organized as a corporation under the laws of the State of California. We have been providing investment advisory services since 1988. Eric Weinlein, Joel Edstrom and Margaret Adams are our principal owners. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Asset Management Services
- Financial Planning Services

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this Brochure, the words "we", "our" and "us" refer to WESCAP Group and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Asset Management Services

We offer discretionary and non-discretionary asset management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for asset management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you, we will monitor your portfolio's performance, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

The following services are provided for asset managed accounts:

- Investment selection and portfolio management;
- Quarterly investment tracking and reporting;
- Ongoing review of investment performance and asset allocation;
- Review of any changes in portfolio objectives, market conditions and target asset allocation;
- Recommendations or actions on additional investment purchases and sales.

If you participate in our discretionary asset management services, we require that you grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or trading authorization forms. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Our annualized fees for discretionary asset management services are based on the following blended tiered fee schedule:

| <b>Assets Under Management</b> | <b>Maximum Annual Advisory Rate*</b> |
|--------------------------------|--------------------------------------|
| First \$500,000                | 1.25%                                |
| Next \$1,000,000               | 1.00%                                |
| Next \$1,500,000               | 0.65%                                |
| Next \$2,000,000               | 0.50%                                |
| Over \$5,000,000               | 0.40%                                |

\*We generally require a minimum account balance of \$500,000 for asset-managed accounts with a minimum fee of \$1,562.50/quarter. These minimums may be waived or lowered in our sole discretion. For non-discretionary accounts, an additional fee will be added to the fee schedule above.

Our annual fee for asset management services is billed quarterly in arrears based on the asset value of the portfolio on the last trading day of the quarter. In certain circumstances, other paying arrangements may be negotiated upon your request. Our fees will be assessed pro rata in the event the Asset Management Agreement is executed at any time other than the first day of a calendar quarter.

In our sole discretion, we may negotiate asset management fees for managed accounts depending on factors such as the amount of assets under management, range of investments, and complexity of your financial circumstances, among others. Also in our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

The fees charged are calculated as described above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client. We do not represent, warrant, or imply that the services or methods of analysis used by our firm can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections.

Either party may terminate the asset management agreement within five days of the date of acceptance without penalty or fees to you. After the five-day period, upon written notice to the other, either party may terminate the Asset Management Agreement. The asset management fee will be pro-rated for the quarter in which the cancellation notice was given.

### **Financial Planning Services**

We also engage in financial planning services for a fee. Financial planning and consulting will typically involve providing a variety of services, principally advisory in nature, to you regarding the management of your financial resources based upon an analysis of your individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your

financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we may deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Our financial planning services consist of Financial Review services and/or Financial Consulting services.

### **Financial Review**

The fee for our Financial Review service is based upon the complexity of the review. The services to be provided generally include the following:

Long-term financial security forecast:

- Gather information about your income, expenses, assets and liabilities;
- Project cash flows and investment balances;
- Develop different future scenarios to review alternative strategies;
- Often include a Monte Carlo forecast to analyze the effects of various investment return scenarios.

### **Financial Consulting**

Financial planning, analysis and consulting fees are based upon the scope of services provided. Fees are charged on either an hourly rate of \$400 or a fixed fee negotiated with you. All fees will be agreed upon in advance based upon the services to be provided. Under no circumstances will we require prepayment of a fee more than 6 months in advance and in excess of \$1,200, as services will be rendered within six months of the date of contract. Financial Consulting may address any of the following areas:

- Income Tax, Cash Flow, Asset Allocation: Forecast of taxes and cash flow; Current asset allocation; Special situation analysis (Stock options, diversification, etc.).
- Illiquid Investments: Review and analysis of existing investments; Past performance evaluation; Analysis of proposed investments.
- Liquid Investments: Analysis of existing and suggested portfolio; Analysis of various categories of investment.
- Insurance Review: Coverage analysis coordinated with insurance agent.
- Estate Planning Review (coordinated with attorney): Analysis of current wills and trusts; Death tax calculations; Recommendation of potential appropriate techniques.
- Budgeting and Debt Management: Recommendation of loan restructuring; Recommendation of loan sources; Assistance with banking relationships.
- Planning for Children's Education: Needs analysis; Review of funding strategies including UTMA's, 529 plans and other methods.
- Other Financial Analysis

You may act on our recommendations by placing securities transactions with any brokerage firm you choose. You are under no obligation to act on our financial planning recommendations. Moreover, if you elect to act on any of the recommendations, you are under no obligation to implement the financial plan advice through our firm. In some cases we may reduce or waive our financial planning fee if you implement our investment recommendation through our firm.

Either party may terminate the financial planning agreement within five days of the date of acceptance without penalty or fees to the client. After the five-day period, upon written notice to the other, either party may terminate the financial planning agreement.

## **Types of Investments**

We primarily provide advice on mutual funds however we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## **Assets Under Management**

As of December 31, 2011, we manage \$535,715,700 in client assets on a discretionary basis, and \$163,438,300 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the Advisory Business section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities and private funds.

In general, we require a minimum of \$500,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

### **Our Methods of Analysis and Investment Strategies**

Our investment approach strives for outstanding risk-adjusted returns across a range of market conditions. The central tenets are:

- Strategic & tactical asset allocation
- Broad global diversification
- Contrarian / Value-oriented
- Low transaction and ownership costs
- Tax efficiency

### **Strategic & Tactical Asset Allocation**

**Strategic Asset Allocation** - We seek under appreciated assets with a high likelihood of solid long-term returns. Out-of-consensus, misunderstood or newer types of assets without an established following often populate WESCAP Group portfolios. Nevertheless these assets in aggregate need to have a high margin of financial safety, so that the underlying assets can operationally continue and even thrive during periods of financial turbulence. Undervalued assets are identified by comparisons of numerous fundamental investment characteristics, which for equities often includes earnings, margins, return on equity, debt coverage, cash flow, barriers to entry, competitive advantage and both growth and decay attributes. Sensitivity to labor costs, interest rates, currencies and commodities and energy costs are a few of the factors that are reviewed. For fixed income investments, interest rates and credit spreads, the yield curve, potential default and loss rates, duration, maturity, and income tax attributes are heavily relied upon. An economic overlay is included, such as the effects of the business cycle, changes to monetary and fiscal stimulus, currency conditions, inflation and differences between U.S. and foreign economies and markets. The concepts of classic Modern Portfolio Theory (MPT), volatility (risk), expected return and correlation between different assets are then used to derive a range of highly-diverse portfolios with different mixes of favored assets with a wide range of risk and return characteristics. These are then applied to various individual client situations and modified as needed for the unique needs of each individual investor. **Tactical Asset Allocation** - Particular assets may be emphasized more heavily than typically when they offer greater than typical opportunity. These opportunities may be driven by many factors, such as historically inexpensive valuation, larger margin of safety, deep discounts to net asset value (e.g. closed-end mutual funds), contrarian reversion-to-the-mean expectation, or inflection points in the business and earnings cycle. Temporary uncertainties in market, legal or regulatory frameworks can yield short-term opportunities that should not be ignored. Technical indicators, when they reach various threshold extremes, may influence investment decisions. These could include insider selling volume, volatility indices, sentiment indicators, earnings surprise and revision ratios, investment flows, and others uniquely important to the time period.

### **Broad Global Diversification**

Our open architecture approach allows us to provide our clients with exposure to a multitude of asset classes and strategies, some of which are unfamiliar to many investors. Moreover, some of our core investments are unavailable to retail investors and clients of other financial services firms. Our clients have at one time or another owned:

- Large and small cap U.S., European, Japanese and emerging markets stocks.
- Short term, intermediate and long-term municipal bonds, corporate and convertible bonds,



European and emerging markets bonds, high yield bonds, and emerging markets money market funds.

- U.S., European and Asian real estate.
- Bankruptcy securities, merger arbitrage, convertible bond arbitrage and other hedged strategies.
- Natural resources and commodity-linked securities.

We take a proactive approach and are early adopters of new asset classes which are likely to benefit our clients' portfolios through risk reduction and/or enhanced returns. An example would be the use of the only (at that time) available emerging markets currency fund to capture high current yield and exposure to currencies in trade surplus countries.

### **Contrarian/Value-Oriented Approach**

As contrarian investors, we are constantly looking for opportunities in out-of-favor assets because such investments often provide attractive returns for patient investors. Past examples of contrarian investments we have made on behalf of our clients include drug stocks during the Clinton administration, Texas real estate during the oil bust of the early 1990's, and savings & loan companies during the savings and loan debacle of 1991.

### **Efficient Transaction and Ownership Costs**

WESCAP Group seeks the best means to invest in various asset classes. We attempt to minimize costs whenever reasonable to do so. Because of our open architecture approach, we can consider gaining asset class exposure through many investment vehicles. Among open-end mutual funds, many of the funds we use are the institutional class shares, which have lower costs than average retail mutual funds. To further minimize transaction fees, account rebalancing is done judiciously.

**Tax efficiency.** At times, we can allocate less tax efficient (but attractive) investments to tax-deferred accounts. In taxable accounts we try to hold positions for long-term capital gains unless it is imprudent to do so. We also manage sales in taxable accounts by tax lot and by active tax-loss harvesting, thereby reducing tax liability.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Custodians will default to the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend "no-load" mutual funds however; we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, other types of mutual funds do charge such fees which can also reduce returns.

## **Item 9 Disciplinary Information**

WESCAP Group has been registered and providing investment advisory services since 1988. Neither our firm nor any of our management persons has any reportable disciplinary information.

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

Our firm serves as Managing General Partner of Hedgecap Partners, L.P. The partnership generally invests in securities-oriented limited partnerships. This partnership may use hedging techniques and leverage to attempt to reduce volatility and improve investment returns.

Our firm receives management and operating fees for managing Hedgecap Partners, L.P. Fees and other information are disclosed to clients through the private offering memorandum, partnership agreement and subscription documents.

Persons affiliated with our firm may have made an investment in Hedgecap Partners, L.P. and may have an incentive to recommend investments in Hedgecap Partners, L.P. over other investments.

These referral arrangements we have with our affiliated entities present a conflict of interest because we may have a financial incentive to recommend our affiliates' services. While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

Approximately 10% of our firm's time is spent on retirement, tax, estate and insurance planning and on other non-asset management issues. Retirement planning involves developing and analyzing long-term financial projections. Tax advice includes estimation of liability, and planning around limits such as investment interest expense, alternative minimum tax, and related topics. Estate planning advice includes recommendations on titling of assets, establishment of trusts, designation of beneficiaries, and the financial effects of various estate plans. Insurance planning includes review of homeowner's, life, liability, and disability insurance coverage. Coordination with CPAs, attorneys, and insurance agents may be provided.

We have entered into an agreement with The Carmack Group where fees are shared as part of servicing clients jointly managed by the two firms. Each client under this agreement is provided a written disclosure outlining the nature of the relationship, terms and other relevant information.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at 818.563.5170.

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

We serve as the Managing General Partner to Hedgecap Partners, L.P. ("Hedgecap"), a private pooled investment vehicle in which you may be solicited to invest. Persons associated with our firm may have significant investments in Hedgecap. If you are an investor in Hedgecap, please refer to Hedgecap's offering documents for detailed disclosures regarding Hedgecap. Additionally, individuals associated with our firm may buy or sell - for their personal account(s) - investment products identical to those purchased by clients. This practice may create a conflict of interest. It is our policy that neither our Associated Persons nor WESCAP shall be favored over clients.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## Item 12 Brokerage Practices

We generally select brokers to execute transactions on behalf of our clients on the basis of obtaining the best overall terms available based on a variety of factors, including the following: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, stability and integrity of the broker; the quality and comprehensiveness of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our selection criteria. We may cause you to pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage and related services provided by the broker.

We generally specifically suggest that you establish accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab) member SIPC, or with TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. Schwab and TD Ameritrade provide us with access to institutional trading and operations services which are typically not available to retail investors.

These services might include research, brokerage, custody, and access to mutual funds or other investments. Some products or services may assist us in managing and administering your account including software, publications, and presentations on practice management and other topics. These firms may discount or waive fees that would otherwise be charged for some of these services. Schwab and TD Ameritrade also make available to our firm other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. These firms may discount or waive fees they 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 our firm. Many of these services generally may be used to service all or a substantial number of our clients, including accounts not maintained at Schwab or TD Ameritrade.

Advisor participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services

made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

WESCAP Management considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting TD AMERITRADE Institutional ("TD Ameritrade") as the broker and custodian for certain of its current and future client accounts, Adviser takes into consideration its arrangement with TD Ameritrade as to obtaining price discounts for TD Ameritrade's automatic portfolio rebalancing service for advisors known as "iRebal".

The standard iRebal annual license fee applicable to Adviser is \$26,000. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TD Ameritrade platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD Ameritrade platform will bring fee reductions of up to \$26,000 per year for each of as many as three years or more.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs).

If Adviser does not maintain the relevant level of taxable assets on the TD Ameritrade platform, Adviser may be required to make a penalty fee payment to TD Ameritrade calculated on the basis of the shortfall.

Although Adviser believes that the products and services offered by TD Ameritrade are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect Adviser's independent judgment in selecting or maintaining TD Ameritrade as the broker or custodian for client accounts.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We routinely suggest that you direct our firm to execute transactions through Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), or TD Ameritrade. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

## **Block Trades**

We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes our duty to seek the best price) for our clients or is needed to treat clients on a fair basis and is consistent with the terms of our Asset Management Agreement with each client for which trades are being aggregated.

No client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions in that security at each broker on a given business day, with transaction cost shared pro-rata, subject to broker minimum fees, based on each client's participation in the transaction. If more than one broker is used to transact, we will strive to trade so as not to favor clients at any one broker.

We will prepare, before entering an aggregated order, a written statement (Allocation Statement) specifying the participating client accounts and how we intend to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated pro-rata based on the Allocation Statement.

Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained no later than one hour after the market opening on the trading day following the day the order was executed.

## **Item 13 Review of Accounts**

Your account is reviewed on an ongoing basis by the Associated Person assigned to your account and periodically by a corporate officer of our firm. Reviews are conducted for the purpose of evaluating, reporting, rebalancing, and implementing the investment objective of each client.

For asset management accounts, statements are sent by the broker-dealer or custodian that maintains custody of your account on at least a quarterly basis. Financial planning clients may receive written financial plans, which are designed to achieve their stated financial goals and objectives.

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

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the Brokerage Practices section above for disclosures on research and other benefits we may receive resulting from our relationship with Schwab or TD Ameritrade.

Employee and non-employee (outside) solicitors, e.g. unaffiliated broker-dealers, investment advisers, accountants, attorneys, etc., who are directly responsible for bringing a client to our firm, may receive compensation from us for the client referral. Under these arrangements, you do not pay higher fees than our normal/typical advisory fees.

Such arrangements will comply with the requirements set forth under the Investment Advisers Act of 1940 and/or the applicable state Securities Act, including a written agreement between our firm and the solicitor. Non-employee solicitors must provide a copy of our ADV Part 2 (Disclosure Brochure) and a separate solicitor's disclosure statement regarding the relationship between the solicitor and our firm to the prospective client at the time of the solicitation or referral. The prospective client will be requested to acknowledge this arrangement prior to acceptance of the account for advisory services. Applicable state laws may require these persons to become either licensed or registered as representatives of our firm or as an independent investment adviser.

## Item 15 Custody

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Eric Weinlein, Chief Compliance Officer at 818.563.5170.

We serve as Managing General Partner to Hedgecap Partners, L.P., a pooled investment vehicle. In our capacity as Managing General Partner of Hedgecap Partners, L.P., we will have access to Hedgecap Partners, L.P. funds and securities, and therefore have custody over such funds and securities. We provide each investor in Hedgecap Partners, L.P. with audited annual financial statements. If you are an investor in Hedgecap Partners, L.P. and have questions regarding the financial statements or if you did not receive a copy, please contact Eric Weinlein, Chief Compliance Officer at 818.563.5170.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

## Item 17 Voting Client Securities

### Proxy Voting

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.



## Item 18 Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you.

## Item 19 Requirements for State Registered Investment Advisers

We are an SEC registered investment adviser, therefore this section is not applicable.

## Item 20 Additional Information

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at 818.563.5170, if you have any questions regarding this policy.

### Trade Errors

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer, which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in the your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g. due to tax reasons).

If Schwab is the custodian and the gain does not remain in your account, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

If TD Ameritrade is your custodian, we are responsible for any gain(s) or loss(es) due to a trade error. Gains will be allocated to our sundry account and then allocated to the account in which the trade error occurred. Losses will be billed directly to our firm.