

**Item 1: Cover Sheet**

**INFORMATIONAL BROCHURE**

**Form ADV Part 2A**



**WEST FINANCIAL SERVICES, INC.**

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Brian Mackin, Chief Compliance Officer  
October 3, 2017

**This brochure provides information about the qualifications and business practices of West Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 703-847-2500. 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. Our registration does not imply a certain level of skill or training.**

**Additional information about West Financial Services, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2:        Statement of Material Changes**

The SEC requires material changes to Part 2 of Form ADV to be listed in this section. The material changes are as follows:

- Brian Mackin has replaced Norma Graves as Chief Compliance Officer of the firm.
- 1759 E El Alameda, Palm Springs, CA 92262 is now listed as an “other office”.

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#### **Item 4:       Advisory Business**

West Financial Services, Inc. (hereinafter “WFS”) was founded in February 1982. Co-founder Glen Bucu currently serves as President. On October 3, 2005, WFS Acquisition Corp, Inc., a Maryland corporation and wholly-owned subsidiary of Sandy Spring Bancorp, Inc., a Maryland corporation (“SSB”), acquired all of the stock of WFS. WFS still operates under its name, as a subsidiary of Sandy Spring Bank. SSB is the holding company for Sandy Spring Bank, and its principal subsidiaries, Sandy Spring Insurance Corporation and West Financial Services, Inc. Sandy Spring Bank offers a range of commercial banking, retail banking, and trust services to individuals and may refer banking clients to WFS to provide these clients with access to a broader array of financial products and services. WFS is not compensated by SSB for these referrals.

WFS is a fee-only investment adviser registered with the United States Securities and Exchange Commission, that assists associations, corporations, foundations, trusts, pension plans, and high net worth individuals with financial planning and investment management. Our investment philosophy stresses diversified portfolios tailored to each client's individual circumstances and specific goals. Our investment management goal is to optimize the return on each client's portfolio while keeping within the individual's risk tolerance, time horizon, tax status and wealth objectives.

#### **Financial Planning Services**

WFS provides financial planning clients with a five-step process that includes identifying goals, analyzing data, providing recommendations, assisting with implementation, and annually reviewing projected outcomes.

A comprehensive plan starts with a balance sheet to determine net worth and titling of assets. We review cash flow and income taxes to identify areas for improvement. We review existing investments and assess historical performance and personal risk before determining portfolio allocations and suitable investment selections. These core areas of review – balance sheet, cash flow, income tax, and investments – form the basis for our retirement cash flow projections. These projections include a number of assumptions made from discussions with clients regarding financial and retirement goals, as well as previously supplied data. We follow our projections with a discussion of a client's estate planning needs. If a client has existing wills or trusts, we will review and comment on the documents.

A comprehensive financial plan may also include a detailed review of and recommendations in the following areas:

- Insurance,
- Education funding,
- Stock option exercise strategies,
- Business form and succession planning, and
- Any other financial area suggested by a client's needs.

We will meet with clients to review the full plan and follow up with them to help with implementation. We will work with a client's own professionals or refer them to our network of accountants, attorneys, and other professionals. We encourage clients to call at any time with financial questions and concerns, and recommend that we meet for an annual update.

Additionally, part of the WFS process includes, where appropriate, involving multiple generations in order to facilitate family financial planning. This can increase the financial education of the later generations and manage expectations. However, potential for conflicts of interest exist with the exchange of intergenerational information. WFS attempts to minimize these conflicts by treating each household as its own fiduciary relationship. Information can only be shared across generations with each household's consent. This means that even if a family member is responsible for payment for our services, we do not share information with others without the specific client's consent.

### **Personalized Consulting Services**

WFS offers personalized consulting services to address the unique needs of high net worth individuals. We customize each relationship, attempting to find creative solutions to clients' financial needs while coordinating with other professionals. Fee only advice is independent of any product influence, and we observe strict privacy and confidentiality. We assure that our consultants are readily accessible and that our services are personalized. Consulting services can include, but are not limited to:

- Asset Management
- Client Specific Projects
- Business Planning
- Education Planning
- Estate Planning
- Financial Planning
- Individual Securities Research
- Investment Management
- Legacy and Philanthropic Planning
- Retirement Planning
- Strategic Planning
- Succession Planning
- Succession Planning
- Venture Deal Analysis

Our collaborative team approach provides customized strategies, strong communication and personalized attention.

### **Pension Consulting Services**

WFS offers 401(k) plan consulting services and participant education. We work with the plan trustees to provide the following initial and ongoing services:

- Establishment of an Investment Policy Statement,
- Analysis, review, and recommendation of investment selections,
- Annual plan reviews,
- Attendance at annual Investment Committee meetings,
- Preparation of participant newsletters,
- Educational meetings for employees, and
- Continuing individual participant support.

Initial mutual fund selection includes a review of fund categories, based on 404(c) guidelines. We then select a specified number of funds based on performance, stability of management, expenses, portfolio mix, and risk. We will prepare a comprehensive, annual review of all current investment options and participation and include recommendations to the plan trustees.

We also work with plan administrators and trustees to set up new plans or change existing providers. This process often involves sending out a detailed request for proposal to a chosen list plan providers and/or third-party administrators. We will then evaluate proposals and present our recommendations to the trustees.

Once a plan is established, we will conduct initial participant meetings to present general retirement planning education and summarize the investment options available in the plan. We continue to make annual or semi-annual presentations to plan participants to provide plan awareness, investment education, retirement planning advice, and fund performance updates. Additional communication to plan participants includes a newsletter describing the plan's investment options and performance. Newsletters also include a market commentary and additional articles of interest and may be prepared either semi-annually or quarterly.

Costs for our 401(k) consulting services reflect the nature of our engagement with the plan sponsor. For the most part, we bill on a percentage of the plan assets under consultation. We also have relationships that are billed on a quarterly retainer basis. Lastly, we offer separate consulting services (such as an initial plan evaluation) as a stand-alone engagement based on an hourly estimate of costs.

As of December 31st 2016, discretionary assets under management by WFS were valued at \$1,223,505,000 with 671 clients.

## **Item 5: Fees and Compensation**

### **A. Fees Charged**

#### **Financial Planning**

We typically do not charge for the initial meeting to discuss our services. We provide our services on an hourly basis. The hourly rate is \$250.00

Clients are billed an asset management fee at the end of each quarter based on custodial market values. Financial planning, consulting and 401(k) clients are billed a fixed fee, a standard hourly rate, or in the case of 401(k) consulting clients, a percentage of assets under consultation. Fees are billed in arrears.

**Investment Management Fees:**

Up to and including \$2,000,000*	1.00% per annum
Greater than \$2,000,000 up to and including \$4,000,000	0.75% per annum
Greater than \$4,000,000 up to and including \$7,000,000	0.50% per annum
Greater than \$7,000,000 up to and including \$10,000,000	0.40% per annum
Greater than \$10,000,000	0.30% per annum

\*The minimum size for starting an investment advisory relationship is \$1 million, except for existing clients, their families and referrals. Accounts may be aggregated to meet the \$1 million minimum relationship size. We will assess accounts accepted for management that do not meet our \$1 million minimum a 1.25% per annum fee until the \$1 million minimum is reached and the standard fee schedule applies. Our fees are not negotiable.

**B. Fee Payment.**

We provide clients a fee invoice. WFS will deduct asset management fees directly from the clients' custodial accounts, as authorized by the client, and we will provide documentation noting the deduction of the fee. WFS can also bill clients by invoice to be paid by check.

The fees stated above are charged for the investment management, record-keeping, and reporting of security portfolios. We will assess fees for additional services according to the nature of the service and the responsibilities undertaken. An example of such services, but not by way of limitation, includes researching cost basis of securities and assisting with assembling information for individual income tax returns. We will bill between \$75 per hour and \$200 per hour, based on the individual assigned and service provided.

We bill all fees after our services are rendered.

**C. Other Expenses**

We provide our services on a fee-only basis. This means that we do not receive compensation based on the purchase or sale of any financial products. We are compensated solely by the client based upon the services that we perform. Clients pay brokerage commission costs, plus any other charges such as transaction fees, wire fees, ADR fees, margin costs and any other costs charged by the custodian, in addition to the management fees charged by WFS. With respect to mutual funds, clients pay any management fees and operating expenses associated with a particular mutual fund. These fees are disclosed in each mutual fund's prospectus. This is in addition to the fees charged by WFS. The Brokerage Practices section of this form includes additional information.

#### **D. Pro Rata Fees**

If you become a client during a quarter, you will pay a management fee for the number of days left in that quarter. If you terminate our relationship during a quarter, you will be entitled to a refund of any management fees for the remainder of the quarter. Once your notice of termination is received, we will refund the unearned fees to you in whatever way you direct (check, wire back to your account).

WFS or the client may terminate an advisory agreement at any time, with or without cause, upon written notice to the other party. Unless otherwise requested by the client, accounts held by clients who have terminated WFS' services may be subject to "de-link" (a transition to retail status, no longer under the supervision of WFS) 30 days after termination.

#### **E. Compensation for the Sale of Securities**

This item is not applicable.

#### **Item 6: Performance Based Fees and Side-by Side Management**

WFS does not charge any performance based fees.

#### **Item 7: Types of Clients**

WFS offers advisory services to individuals, associations, corporations, foundations, trusts, pension plans, and high net worth individuals. The minimum size for starting an investment advisory relationship is \$1 million, except for existing clients, their families, and referrals. This minimum may be waived by WFS in its discretion.

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

The WFS investment approach stresses diversified portfolios tailored to each client's individual circumstances, including risk tolerance, time horizon, tax constraints and wealth objectives. Due to these and other factors, WFS may not purchase or sell the same security for every client account at the same time. Our investment management goal is to optimize the return on each client's portfolio while keeping within the individual's risk tolerance, time horizon, tax status and wealth objectives.

Each client's portfolio is separately managed, and invested according to that client's investment objectives. We determine these objectives by interviewing the client and/or asking the client to put these objectives in writing. Once we ascertain the client objectives for each account, we develop a set of asset allocation guidelines. An asset allocation strategy is a percentage-based allocation to different investment types. The percentages in each type that we recommend are based on the typical behavior of that security type, individual securities we follow, current market conditions, client current financial situation, cash flow needs, client financial goals, and the time horizon to get the client to those goals. Because we develop an investment strategy based on each client's personal situation and financial goals, the asset allocation guidelines may be similar to or different from another client. We will periodically implement securities transactions in your portfolio to meet the guidelines of the asset allocation strategy. It is important to remember that because market



conditions can vary greatly, your asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary.

Since asset allocation is the driving force of portfolio performance, we maintain a long-term view over the entire business cycle. Our portfolios utilize diversification across global asset classes as their foundation while incorporating disciplined research-driven tactical asset allocation adjustments.

For equities, we utilize a "core and satellite" approach to investing. By using low-cost, core investments in major market indices, we ensure that clients participate in market movements. We generally incorporate individual stocks, exchange traded funds and no-load equity mutual funds. For the "satellite" portion of the portfolio, we use actively managed mutual funds and exchange traded funds to provide growth and value style exposure. We also purchase individual stocks for additional sector and dividend exposure. Our investment team pays close attention to valuation, establishes well-defined entry and exit points, and uses both quantitative and qualitative due diligence when investigating new investment opportunities.

Our primary fixed income focus is preservation of capital. We build a foundation of high quality bonds and ladder the maturities over a short to intermediate time period so that bonds mature each year. This strategy provides various maturities for reinvestment at different yields or for use of principal to meet future cash flow needs. We generally purchase U.S. Treasury's, governmental agency bonds, municipal bonds, investment grade corporate securities and FDIC insured certificates of deposit. On occasion, WFS may purchase less than investment grade corporate bonds. These bonds are considered to have more default risk than investment grade bonds. Clients may restrict the types and ratings of bonds purchased.

Our team of experienced investment professionals meet to review proprietary and external research on macro-economic issues, changes to tax statutes, and due diligence on individual equities, fixed income and mutual funds. Through these meetings, we regularly evaluate the performance of our investments against appropriate benchmarks. We monitor, measure and evaluate performance of our clients' investments, offer personal meetings to review accounts and provide quarterly reporting. Investment decisions consider tax consequences as well as transactional expenses.

Due to customization of each client portfolio, clients may hold legacy securities and may place restrictions on individual securities or security types. Legacy securities are those that a client owned prior to or separate from its WFS portfolio, and may or may not be included in the assets on which WFS charges its fee. Because these securities are not recommended by WFS, there is no expectation that WFS is monitoring these securities with the same amount of diligence as it is monitoring securities it recommends for clients.

Depending on a client's given circumstances, WFS may recommend that a client rollover retirement plan assets to an Individual Retirement Account (IRA) managed by us. As a result, WFS may earn fees on those accounts. This presents a conflict of interest, as WFS has a financial incentive to recommend that a client roll over retirement assets into an IRA we will manage. This conflict is disclosed to clients in this brochure. Clients are also advised that they are under no obligation to implement the recommendation to roll over retirement plan assets. WFS attempts to mitigate this conflict by requiring that all investment recommendations have a sound basis for the

recommendation, and by requiring employees to acknowledge their fiduciary responsibility toward each client.

Participation in Initial Public Offerings ("IPOs") may occur upon specific client request. Allocations of shares to accounts that express interest in IPOs may depend upon the custodian where the account is custodied and the custodian's relationship with the selling group. Prior to submitting an indication of interest on behalf of a client, WFS may require additional information from the client to ensure the client is not restricted from purchasing IPOs.

## **Risk of Loss**

There are always risks to investing. **Clients should be aware that all investments carry various types of risk, including the potential loss of principal that clients should be prepared to bear.** It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities may not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of a security in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading:** Clients should note that WFS may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. WFS endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the taxation of transactions.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but rather its relative value may decline. Inflation can occur for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk due to sales volumes, competition, government regulations and the economic cycle.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate.

Failure in data accuracy or research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.

- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.
- **Concentration Risk.** While WFS selects individual securities, ETFs and mutual funds, for client portfolios based on an individualized assessment of each security. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's portfolio may be affected negatively.
- **Transition risk.** As assets are transitioned from a client's prior advisers to WFS there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments may need to be sold in order to reposition the portfolio into the asset allocation strategy selected by WFS. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, market-related liquidity, or legacy stock concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of WFS may adversely affect the client's account values, as WFS's recommendations may not be able to be fully implemented.
- **Restriction Risk.** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.
- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If a client requires us to liquidate your portfolio during one of these periods, the client will not realize as much value as they would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.

#### **Item 9: Disciplinary Information**

WFS and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

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

WFS and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

However, as mentioned, WFS is a wholly-owned subsidiary of Sandy Spring Bank and thereby affiliated with Sandy Spring Insurance Corporation, another wholly-owned subsidiary of Sandy Spring Bank. Sandy Spring Bank offers a range of commercial banking, retail banking, and trust services to individuals and may refer banking clients to WFS to provide these clients with access to additional services. WFS does not compensate Sandy Spring Bank for these referrals.

When a WFS advisor recommends that a client bank with Sandy Spring Bank, any charges or fees payable to Sandy Spring Bank are separate from, and in addition to, fees payable to WFS. WFS has a conflict of interest because WFS has the incentive to refer clients to Sandy Spring Bank and Sandy Spring Insurance Corporation, because the owners of those firms are also owners of WFS, and therefore are likely to receive greater overall compensation if business is referred to their respective affiliated firms as opposed to a different bank. This conflict of interest is disclosed to clients verbally and in this brochure. WFS also attempts to mitigate the conflict of interest by requiring employees to acknowledge the firm's Code of Ethics, their individual fiduciary duty to the clients of WFS, which requires that employees put the interests of clients ahead of their own.

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

- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable. WFS does not recommend to clients that they invest in any security in which WFS or any principal thereof has any financial interest.
- C. On occasion, an employee of WFS may purchase for his or her own account securities which are also recommended for clients. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades must either take or place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.
- D. On occasion, an employee of WFS may purchase for his or her own account securities which are also recommended for clients at the same time the clients purchase the securities. Our Code of Ethics details rules for employees regarding personal trading and avoiding conflicts of interest related to trading in one's own account. To avoid placing a trade before a client (in the case of a purchase) or after a client (in the case of a sale), all employee trades must be reviewed by the Compliance Officer. All employee trades must either take place in the same block as a client trade or sufficiently apart in time from the client trade so the employee receives no added benefit. Employee statements are reviewed to confirm compliance with the trading procedures.

## **Item 12: Brokerage Practices**

### **The Custodians and Brokerages we use**

WFS does not maintain custody of your assets, though WFS may be deemed to have custody by the SEC if a client grants WFS authority to debit fees directly from their account. Your assets must be maintained in an account at a "qualified custodian," generally a brokerage or bank. We require that our clients use either Charles Schwab & Co., Inc. (Schwab), or Fidelity Investments (Fidelity), registered broker-dealers, members SIPC, as the qualified custodian. Not all advisors require clients to use specific broker-dealers. We are not affiliated with Schwab or Fidelity. Schwab or Fidelity will hold your assets in a brokerage account and buy or sell securities as instructed by WFS. While we recommend that you use Schwab or Fidelity as custodian, you will decide whether to do so and will open your account by entering into an agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab or Fidelity, we can still use other brokers to execute trades for your account as described below. (See "Your Brokerage and Custody Fees.")

### **How we select Custodians/Brokers**

We seek to select a custodian who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior services to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see "Products and Services" available to WFS from Schwab and Fidelity)

## **Your Brokerage and Custody Fees**

For our clients' accounts that Schwab or Fidelity maintains, Schwab or Fidelity generally do not charge clients separately for custody services but are compensated by charging you commissions or other fees on trades that it executes or that settle into Schwab or Fidelity client accounts. This commitment benefits clients because the overall commission rates you pay may be lower than they would be otherwise. Schwab and Fidelity may charge a minimum ticket charge per securities transaction, which may be lower if the client elects to receive only electronic statements from the applicable custodian. In addition to commissions, Schwab and Fidelity charge clients a flat dollar amount as "prime broker" or "trade away" fee for each trade we have executed by a different broker-dealer but where securities bought or the funds from the securities sold are deposited (settled) into your Schwab or Fidelity account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab and Fidelity execute most trades for your account. We have determined that having Schwab or Fidelity execute most trades is consistent with our duty to see "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select Custodians/Brokers").

## **Directed Brokerage**

WFS will accept direction from clients or agree to limitations with respect to the WFS' brokerage discretion as to which broker or brokers is/are to be used and what commissions are to be paid. Any such direction or limitation must be in writing. Clients which, in whole or in part, direct the Company to use a particular broker to execute transactions for their accounts should be aware that, in so doing, they may adversely affect the Company's ability to, among other things, obtain best price and execution, and the cost of the transaction may be greater. Clients that direct their brokerage should also be aware that Company will generally place such trades after the completion of trades for clients that do not direct their brokerage.

## **Products and Services Available to WFS from Schwab and Fidelity**

Schwab Advisor Services and Fidelity Investments provide us and our clients with access to their institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab and Fidelity retail clients. Schwab and Fidelity also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage or grow our business. Schwab and Fidelity's support services generally are available on an unsolicited basis and at no charge to us as long as our clients collectively maintain at least \$10 million of their assets at Schwab or Fidelity. Following is a more detailed description of Schwab and Fidelity's support services.

**Services That Benefit You.** Schwab and Fidelity brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and Fidelity include some to which we might not otherwise have access or that would require a significantly higher minimum investment by our clients. Schwab and Fidelity's services described in this paragraph generally benefit our clients and their accounts

**Services That May Not Directly Benefit You.** Schwab and Fidelity also make available to us other products and services that benefit us but may not directly benefit client accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab and Fidelity's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, record-keeping and client reporting

**Services That Generally Benefit Only Us.** Schwab and Fidelity also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management
- Access to employee benefit providers, human capital consultants and insurance providers

Schwab and Fidelity may provide some of these services themselves. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab and Fidelity may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab and Fidelity may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Our Interest in Schwab and Fidelity's Services**

The availability of these services from Schwab and Fidelity benefits us because we do not have to produce or purchase them. We believe, however, that our selection of Schwab and Fidelity as custodians and brokers is in the best interest of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab and Fidelity's services (see "How We Select Custodians/Brokers") and not Schwab and Fidelity's services that benefit only us.

Our investment research is performed using many sources and has no effect upon which custodian or broker/dealer is used to process security transactions. All client accounts benefit from research performed. WFS limits its use of soft dollars to arrangements falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Only bona fide research that provides assistance to WFS in the performance of its investment decision-making responsibilities is accepted in exchange for commission offsets. WFS currently maintains one soft dollar relationship

with Schwab for the provision of a Bloomberg terminal. WFS may have an incentive to select Schwab because it receives such services. WFS does not consider whether it or a related person receives client referrals from a third party when selecting or recommending broker dealers.

WFS may aggregate purchase and sale orders of investments held by client accounts managed by WFS with similar orders being made simultaneously for other accounts or entities if, in WFS's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for clients will be affected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at WFS's sole discretion, and the client account may be charged or credited, as the case may be, with the average transaction price.

WFS does not participate in cross trades.

For additional information, please refer to "Your Brokerage and Custody Fees" section above.

#### **Item 13:      Review of Accounts**

We review accounts on two different levels, including a top down and bottom up review. Our Investment Committee meets to discuss financial, economic, and security-specific news, as well as security price movements and trading volume, drive top down reviews. Portfolio management teams determine and implement daily strategy. In general, bottom up reviews are done on a monthly basis to review asset allocation and the overall integrity of client portfolios. Factors that may prompt more frequent reviews include account contributions and withdrawals and large movements in the market. A change in a client's circumstances, such as a divorce, death, etc. will also trigger a review.

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

WFS is directly compensated by the clients and does not receive any economic benefit from any other sources.

WFS has entered into an agreement with Strategic Advisors, Inc. ("SAi") as part of Fidelity's referral program, Fidelity Wealth Advisor Solutions, which is designed to help investors find an independent professional investment manager. WFS does not charge Fidelity clients, who are introduced by the referral service, fees or costs greater than fees or costs WFS charges its advisory clients who were not introduced by Fidelity, and who have similar portfolios under management with WFS. WFS does pay a fee to Fidelity to participate in the referral program. WFS is independent of SAi and Fidelity and is not affiliated with either.

In addition to meeting the participation criteria for the program, Fidelity Wealth Advisor Solutions, WFS may have been selected for participation in the program as a result of other business relationships with SAi and its affiliates. WFS has agreed not to, and does not, solicit SAi clients to transfer their brokerage accounts from affiliates of SAi or establish additional brokerage accounts at other custodians other than when WFS' fiduciary duties would so require.



Participation in the Fidelity referral program may raise potential conflicts of interest regarding best execution of trades. Clients referred to WFS by the Fidelity referral program will most likely, though not necessarily, use Fidelity as their custodian. Trades for client accounts held in custody at Fidelity may be executed through a different broker-dealer. WFS acknowledges its duty of best execution for its clients. Fidelity's fees for trades executed at other broker/dealers are in addition to any fees charged by the other broker/dealer.

WFS invites referrals from the SSB family of companies. WFS does not charge clients introduced by the referral sources at SSB fees or costs greater than fees or costs WFS charges its advisory clients who were not introduced by SSB and who have similar portfolios under management with WFS.

#### **Item 15           Custody**

All clients' accounts are held in custody by unaffiliated broker-dealers, but WFS can access many clients' accounts through its ability to debit advisory fees. For this reason, WFS is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to the account information provided by WFS.

#### **Item 16:           Investment Discretion**

Asset Management services are provided on a "discretionary" basis. When WFS is engaged to provide asset management services on a discretionary basis, WFS will monitor the accounts to ensure that they are meeting the client's agreed upon guidelines. If any changes are needed, WFS will make the changes. These changes may involve selling a security or group of investments and buying others or keeping the proceeds in cash. Clients may at any time place restrictions on the way their account is managed. For example, a client may restrict the type of investments WFS may use in the client's account, or the allocations to a security type. Clients engaging WFS on a discretionary basis will be asked to execute a Limited Power of Attorney (granting us the discretionary authority over the client accounts) as well as an Investment Management Agreement that outlines the responsibilities of both the client and WFS.

#### **Item 17:           Voting Client Securities**

WFS will not exercise proxy voting authority over client securities. Clients are instructed to inform their custodian that WFS should not be designated as the party to receive information on voting proxies. The obligation to vote client proxies shall at all times rest with clients. Clients shall in no way be precluded from contacting WFS for advice or information about a particular proxy vote. However, WFS shall not be deemed to have proxy voting authority solely as a result of providing such advice to clients. Should WFS inadvertently receive proxy voting information for a security held in clients' accounts, WFS will immediately forward such information on to clients, but will not take any further action with respect to the voting of such proxy. Upon termination of an advisory relationship, WFS shall make a good faith and reasonable attempt to forward proxy and class action information inadvertently received by WFS to the forwarding address provided by the client.

This policy does not apply, however, to consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, or redemptions. Some custodians enable clients to give WFS authority to make decisions regarding these matters. If WFS

is given such authority, such decisions, while considered not to be covered within the proxy voting policy, shall be made with the clients' best interests in mind. For those clients for which WFS is not granted such authority, WFS will have no responsibility to make decisions.

Upon specific client request, WFS may give advice on class actions involving securities held by WFS clients. Relationship or Portfolio Managers will advise Clients on whether to (a) participate in a recovery achieved through class actions, or (b) opt out of the class action and separately pursue their own remedy. WFS does not serve as the lead plaintiff in class actions.

**Item 18: Financial Information**

WFS does not require prepayment of fees. WFS has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.