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## **Form ADV Part 2A – Appendix 1**

Wrap Fee Program Brochure

(Lockwood Advisors)

March 6, 2017

This brochure provides clients and prospective clients with information about OBS Financial Services, Inc. and the qualifications, business practices, and nature of its services that should be carefully considered before becoming an advisory client.

The contents of this brochure have not been approved or verified by the United States Securities and Exchange Commission (SEC) or any other state or federal governmental authority. While the firm and its associates may be registered with the SEC, it does not imply a certain level of skill or training on the part of the firm or its associated personnel.

Questions relative to the firm, its services, or this wrap fee program brochure may be made to the attention of Compliance Department, at (419) 482-4500. Additional information about the firm, other advisory firms, or associated investment advisor representatives is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The investment advisory services offered and any investment vehicles employed are (i) not deposits or other obligations of, nor are they guaranteed by, a financial institution or its affiliate; (ii) are not insured by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), National Credit Union Share Insurance Fund (NCUSIF), or any other agency of the United States Government; and (iii) are subject to investment risks, including the possible loss of value. Further description with respect to investment strategies and their potential risks may be found in Item 6 of this brochure.

## **Item 2 - Material Changes**

OBS Financial Services, Inc. amended its July 7, 2017 Form ADV Part 2A – Appendix 1 wrap fee brochure due to:

- new office address (Cover Page)
- change to reportable assets under management (Item 4)
- modification to our policy involving non-sufficient funds (Item 4)

As with all firm documents, account holders and prospective investors are encouraged to review this brochure in its entirety and are encouraged to ask questions at any time prior to or throughout the engagement.

The firm may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure and an offer to send an electronic or hard copy form of the updated brochure. Prospective investors are also able to download this brochure from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you may contact our firm at (419) 482-4500.

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### **Important Information**

Throughout this document OBS Financial Services, Inc. shall also be referred to as “the firm,” “firm,” “our,” “we” or “us.” The client or prospective client may be also referred to as “you,” “your,” etc., and refers to a client engagement involving a single *person* as well as two or more *persons*. The term “advisor” and “adviser” are used interchangeably where accuracy in identification is necessary (i.e., internet address, etc.).

## **Item 4 - Services, Fees and Compensation**

### **Description of the Firm**

OBS Financial Services, Inc. is a Delaware-incorporated entity domiciled in the State of Ohio and has been operating as a registered investment advisor since 2006. We operate under the trade name OBS Financial. Our firm is registered as an investment advisor with the SEC and notice-filed in all US states and the District of Columbia. In addition, our associates may register or meet certain exemptions in jurisdictions in which we conduct investment advisory business.

Ownership of OBS Financial is through OBS Holdings, Inc., which is subsequently owned by WBI OBS Holdings, LLC of Perrysburg, OH. Majority shareholder of WBI OBS Holdings, LLC is Canandaigua National Bank & Trust.

As of December 31, 2016, OBS Financial managed \$1.54 billion.<sup>1</sup> This total represents non-discretionary assets of \$1.003 billion and discretionary assets of \$537 million (defined in Item 16). As part of its business, OBS Financial also provides model portfolio services, acts as a strategist, effects trade execution and provides other investment management services for clients whose assets total \$607 million. If these additional assets are added to the totals above, as of December 31, 2016, OBS Financial was responsible for \$2.15 billion in total assets.

Our advisory firm offers investment management services through a wrap fee program as described in the following section. We also offer our investment management services involving unbundled fees, and further information involving the program is described in a separate disclosure brochure that is available upon request. OBS Financial does not provide traditional financial planning services.

OBS Financial provides model portfolio services to a variety of clients. We provide services to financial institutions (trust services departments), to investment advisor firms and their clients, as well as acting as a qualified retirement plan fiduciary pursuant to § 3(38) of the Employee Retirement Income Security Act of 1974 (ERISA). This brochure is designed for individual investors.

### **Description of Services Offered**

Our wrap fee program is designed to offer clients the opportunity to obtain professional portfolio management services through access to institutional money managers and their specific investment strategies, as well as brokerage services in support of the account, for an asset-based fee that is based upon the account's assets under management.<sup>2</sup>

Brokerage and/or custodian services are provided through the institutional services division of Pershing LLC ("Pershing"), a FINRA and SIPC member,<sup>3</sup> through Lockwood Advisors, Inc. ("Lockwood"). Investment management services are offered by a select group of institutional money managers that our firm has determined appropriate for various asset classes or investment strategies that will serve accounts. The client's investment advisory firm and/or representative may provide their expertise involving the consultation aspect of the engagement.

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<sup>1</sup> Term "assets under management" and rounding to nearest \$100,000 per the SEC's *General Instructions for Part 2 of Form ADV*.

<sup>2</sup> Other fees and requirements may apply, please refer *Wrap Fees Assessed* in Item 4 for further details.

<sup>3</sup> Our advisory firm is not, nor required to be, a FINRA or SIPC member. Information about the Financial Industry Regulatory Authority (FINRA) may be found at: [www.finra.org](http://www.finra.org). You may learn more about the Securities Investor Protection Corporation (SIPC) and how it serves member firms and the investing public by going to their website at <http://www.sipc.org>.

### ***Getting Started***

The client will be provided with our current wrap fee program brochure that includes reference to material conflicts of interest regarding our firm and its associates. The client may also receive a separate Form ADV Part 2A firm brochure and/or brochure supplement about the representative who will be assisting them.

### ***Developing Your Investment Plan***

The portfolio will be determined by the client's investment objectives, time horizon, tolerance for risk, as well as any reasonable account constraints. This is done by an investment representative who meets with a client to discuss these items. Note that any restriction placed on the management of an account may have an effect on its strategy, investment selection and, potentially, the portfolio's investment results.

The client is responsible for promptly notifying their representative if there are changes in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising previous recommendations. The client retains discretion over the choice of investment models and is also free to reject the recommendation of entering into the wrap fee program altogether. The individual securities held within an investment model are, however, at the discretion of the portfolio manager.

### ***Lockwood Wrap Fee Program Portfolio Models***

The Efficient Frontier Series ("EFS") offered through Dimensional Fund Advisors ("DFA") are passively-managed asset class portfolios that focus on reducing risk by diversification among asset classes.

#### **DFA/EFS Model Description**

The **DFA/EFS 0/100%** portfolio is to provide investors with a conservative and consistent stream of income with minimal volatility. The investor remains diversified in the bond markets by investing in various asset classes, which are comprised of government and corporate bonds of various quality, geographical region and maturity.

The **DFA/EFS 20/80%** portfolio provides investors with the opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, while the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which raises the growth potential over that of a portfolio void of stock exposure.

The **DFA/EFS 40/60%** provides a balanced investment approach with a conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout, and is moderated by a strong bond presence. With 60% of the portfolio assets in the bond market, the investor can receive a consistent stream of income with protection from a volatile stock market.

The **DFA/EFS 50/50%** Portfolio aims to provide a balance between capital preservation and capital appreciation. With a 50/50 exposure to equity and fixed income, the portfolio is designed for those who are most comfortable with a balanced approach and have a moderate tolerance for investment fluctuations.

The **DFA/EFS 60/40%** portfolio provides a fairly balanced investment approach with an emphasis on long-term growth. The portfolio is more resistant to inflation with an increased potential for larger returns. Its 40% bond presence provides income to the investor and helps dampen volatility during a stock market downturn.

The **DFA/EFS 70/30%** portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards increasing growth. There is a small exposure to fixed income, providing marginal income generation and downside protection.

The **DFA/EFS 80/20%** portfolio provides substantial exposure to the global stock market, with an aggressive approach towards growth. A small bond presence is maintained, but income generation and downside protection is limited.

The **DFA/EFS 100/0%** portfolio is the most aggressive portfolio and offers full exposure to the stock market. The DFA/EFS 100/0% portfolio is diversified between domestic and international stocks, with no exposure to the bond markets.

### **Wrap Fees Assessed**

#### **Asset-Based Fee – Through Lockwood (Pershing Custodian)**

Wrap accounts maintained on the Lockwood platform will be assessed an annualized asset-based fee by OBS Financial as follows:

<b>Asset/Account Value</b>	<b>Basis Points</b>
\$50,000 to \$100,000	40 bps
\$100,000 to \$250,000	35 bps
\$250,000 to \$750,000	30 bps
\$750,000 to \$2.5 million	27 bps
\$2.5 million plus	23 bps

The minimum account size is \$50,000.

The fee schedule above does not include any other solicitation fee or management fee that the client may be charged by their investment advisor. Those fees can vary and may be significant over a period of time and may impact the overall end-returns on the portfolio. OBS Financial does not have control over those fees. All fees are to be disclosed to the client in their engagement agreement with their advisor.

### ***Discounting Fees***

There is discounting of the OBS Financial fees through Lockwood. The services to be provided to the client and their specific fees will be detailed in the client's engagement agreement.

### ***Fee Payment***

As determined by the engagement agreement, annualized asset-based fees for the client's account will be billed by Lockwood directly to the account maintained by Pershing. The billing cycle will be quarterly in arrears based on the asset value of the account. OBS Financial receives its portion of the wrap fee directly from Lockwood.

Clients will be required to authorize in writing the selected broker/dealer or custodian (collectively, “service provider”) to deduct advisory fees, any applicable transaction charges, etc., from the client account and all such fees will be noted in the client agreement and will appear in client statements. Clients should note that they share in the responsibility to verify the accuracy of fee calculations; the custodian may not verify the accuracy of the fees assessed.

### ***Termination of Services***

Either party may terminate the agreement at any time, through a client’s investment advisor. If the OBS Financial wrap fee program brochure was not delivered to the client at least 48 hours prior to entering into the investment advisory contract with our firm, then the client will have the right to terminate the engagement without fee or penalty within five business days after entering into the agreement. Should the agreement be terminated after the five-day period, the client will be assessed fees on a prorated basis for services incurred from either (i) as a new client, the date of the engagement to the date of the firm’s receipt of the written notice of termination; or (ii) all other accounts, the last billing period to the date of the firm’s physical or constructive receipt of written termination notice. It is important to note that once an account has begun the account transfer process, it then becomes restricted/frozen at the custodian until the transfer is complete to the institution that the account holder designates. This means transactions cannot be processed within an account. The transfer process can take several weeks.

### **Services Purchased Separately**

The total costs associated with a wrap fee program account may be more or less than separately purchasing brokerage and advisory services. The factors that bear upon the relative costs of any wrap fee program include the number of and timing of transactions, referral fees (if any), portfolio management and custody fees; regulatory, compliance and administrative charges; research costs, promotional materials, among others. These and other factors may affect the cost of obtaining these services separately from another provider.

### **Additional Client Fees**

There are typically no sales loads, brokerage fees, mark-ups, mark-downs, spreads paid to market makers, or brokerage termination or account surrender fees associated with our wrap fee program.

Although the fees earlier described are for advisory fees payable to our firm, there may be additional fees an account holder may pay when transactions occur in their account. The list of potential fees and expenses below depict what an account holder may pay a custodian, whether the position is being purchased, sold or held in an account.

- Mutual fund sales loads, including SEC 12b-1 fees
- Transaction fees
- Exchange fees
- SEC regulatory fees
- Advisory and administrative fees charged by mutual funds and exchange-traded funds (ETFs)
- Advisory fees charged by other advisors (if used)
- Custodial fees
- Deferred sales charges (on mutual funds or annuities)
- Odd-lot differentials
- Surrender charges (assessed by mutual funds or annuities)

- Transfer taxes
- Wire transfer and electronic fund processing fees
- IRA and qualified retirement plan fees
- Termination fees
- Express mailing fees
- Others as disclosed on statements or confirmations when or as required

Typical additional fees are included with the client's new account paperwork or custodian fee schedule. OBS Financial does not have control over the assessment of these fees.

OBS Financial will charge all clients all fees and charges associated with checks that are returned as non-sufficient funds. This includes, but is not limited to trading charges, market movement which may result in a gain or a loss, and any other custodial/clearing firm charges.

### Compensation Matters

Our advisory firm does not receive additional fees if an advisor recommends our wrap fee program to their client. The client may be assessed an additional asset-based fee or solicitor fee by their advisor if they choose the wrap program that is separate of OBS Financial's fees. Clients should compare costs between this program and others offered through our firm and other providers.

### General Information

#### ***Custody***

Client funds and securities will be maintained at Pershing; an unaffiliated, qualified custodian. Assets are not maintained by OBS Financial or any of its associates. In keeping with the firm's policy of not taking physical custody of client funds or securities, we:

- Restrict the firm and associates from acting as trustee for or having general power of attorney over a client account.
- Are prohibited from having authority to withdraw securities or money from a client account, other than the request for payment of advisory fees that is accomplished through a qualified custodian and pursuant to a written agreement (termed "constructive custody").
- Do not accept or forward client securities (i.e., stock certificates) erroneously delivered to our advisory firm.
- Will not collect fees of \$1,200 or more for advisory services to be performed six months or more in advance.
- Will not authorize an associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts), even for the convenience or accommodation of the client or their legal agent, if such access would result in having control over the account or its assets.

#### ***Trade Errors***

Our firm corrects its trade errors through an account maintained by our custodian, and we may be responsible for certain trading error losses that occur within an account. Trading error gains are swept



to a designated account maintained by our custodian and subsequently donated to the Cherry Street Mission, a Toledo, Ohio 501(c)(3) charity. Our firm does not have a material relationship with this charitable organization.

### ***Firm Services***

OBS Financial will use its best judgment and good faith effort in rendering its services to its clients. Our firm cannot warrant or guarantee any particular level of account performance or that accounts will be profitable over time. Past performance is not necessarily indicative of future results.

Except as may otherwise be provided by law, our firm will not be liable to an account holder, heirs, or assigns for any loss an account may suffer by reason of an investment decision made or other action taken or omitted in good faith by the firm with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; any loss arising from the firm's adherence to the account holder or their legal agent's direction; or any act or failure to act by a service provider maintaining an account. Federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document shall constitute a waiver of any rights that an account holder may have under federal and state securities laws.

## **Item 5 - Account Requirements and Types of Clients**

### **Account Requirements**

#### ***Minimum Account Requirements***

Our firm requires a minimum of \$50,000 of investable assets within the wrap fee program in order to open and maintain the account.

#### ***Account Opening Process***

Participation in the program is initiated by submitting the advisor's required paperwork which may include a risk questionnaire, engagement agreement, Pershing new account paperwork, and selecting one of the OBS Financial portfolios. The client retains discretion over the choice of investment models and is free to reject a recommendation or in entering into the wrap fee program altogether. The individual securities held within an investment model are at the discretion of the portfolio manager.

Once the investment advisor opens the account at Pershing and selects an OBS Financial portfolio, OBS Financial will then invest client funds within their portfolio.

The custodian for program accounts will be Pershing. They shall execute and clear all purchase and sale orders as directed; and they will maintain wrap fee program account assets and will provide other custodial functions, including crediting of interest and dividends on accounts, and other customary functions. They may also serve as general administrator for wrap fee program accounts, which may include billing and collecting advisory fees, processing and reporting deposits to and withdrawals from program accounts, etc. The custodian will forward confirmations for each purchase and sale directly to the client. In addition, the custodian will forward account statement to the client each period in which account activity occurs, and at least quarterly regardless of account activity.

### Types of Clients Served by the Firm

OBS Financial provides its services to individual investors, trusts, estates, charitable organizations and foundations, financial institutions, pension and profit sharing plans, and businesses of various scale.

### Types of Clients Served within the Program

We generally offer this wrap fee program to individuals, high net worth individuals, trusts, estates, and charitable organizations, however, we will include businesses and pension and profit sharing plans should their investment guidelines permit us to do so.

## **Item 6 - Selection and Review of Portfolio Managers**

### Selection and Review of Portfolio Managers

Our investment committee conducts due diligence on each underlying mutual fund manager. At least annually the investment committee review will be performed from both a compliance and performance perspective to determine whether the selected mutual fund manager remains an appropriate fit. OBS Financial will also determine if the underlying mutual fund manager should be replaced due to poor performance, regulatory or compliance matters, etc.

OBS Financial does not generate written performance reports through this service offering. Clients may receive performance reports from their investment advisor.

### Related Persons Serving as Portfolio Manager

OBS Financial does not engage an associate of the firm or any other related person to serve as a portfolio manager for its wrap fee program. We believe this type of arrangement poses a conflict of interest and does not conform to our business practices. It will be necessary, however, for OBS Financial to perform portfolio asset allocation changes for investors based on withdrawals and deposits.

### Methods of Analysis, Investment Strategies and Risk of Loss

#### ***Method of Analysis***

Our firm will employ what we believe to be an appropriate blend of *fundamental* and *technical* analyses to develop long-term investment strategies. Fundamental analysis involves evaluating economic factors including interest rates, current state of the economy, future growth of an issuer, or sector, among others. Technical analysis may involve studying securities, markets, or economies as a whole in an effort to determine potential future behaviors.

Our research and recommendations may be drawn from sources that include financial publications, investment analysis and reporting software, research materials from outside sources, corporate rating services, annual reports, prospectuses and other regulatory filings, as well as company press releases.

#### ***Investment Strategies***

The underlying mutual fund managers OBS Financial selects to support its model portfolios must generally ascribe to the principles of the Modern Portfolio Theory and a mathematical technique known as "mean variance optimization." This theory is based on the belief that proper diversification and risk management will provide the account holder with a more stable and consistent return over time.

Furthermore, it has been statistically proven that a properly diversified portfolio, consisting of an appropriate weighting in different asset classes, will generally outperform most asset classes over time. The practice of Modern Portfolio Theory does not employ market timing or stock selection methods of investing but rather a long term buy-and-hold strategy with periodic rebalancing of the account to maintain desired risk levels. Cost-efficient, low-cost mutual funds are recommended for each asset class (see Item 4).

### ***Risk of Loss***

While the firm believes its strategies and investment selection is designed to potentially produce the highest possible return for a given level of risk, it cannot warrant or guarantee that an investment objective will be achieved. Investing in securities involves risk of loss that a client should be prepared to bear. Some investment decisions made may result in loss, which may include the original principal invested. We have offered examples of such risk in the following paragraphs, and we believe it is important that each prospective investor and/or account holder review and consider each of them risk prior to investing.

*Company Risk* – When investing in securities, such as stocks, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as *unsystematic risk* and can be reduced or mitigated through diversification.

*Financial Risk* – Excessive borrowing to finance a business operation increases profitability risk because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

*Firm Research* – When research and analyses is based upon commercially available software, rating services, general market and financial information, or due diligence reviews, the firm is relying upon the accuracy and validity of the information or capabilities being provided by selected vendors, rating services, market data, and the issuers themselves. The firm makes every effort to determine the accuracy of the information received but it cannot foretell events or actions taken or not taken, or the validity of all information it has researched or provided which may or may not affect the advice to or investment management of an account.

*Fundamental Analysis* – The challenge involving fundamental analyses is that information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value. If a security's price adjusts rapidly to new information, a fundamental analysis may result in unfavorable performance.

*Inflation Risk* – When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

*Management Risk* – An investment with a firm varies with the success and failure of its investment strategies, research, analysis and determination of its portfolio. If an investment strategy were not to produce expected returns, the value of the investment would decrease.

*Market Risk* – When the stock market as a whole or an industry as a whole falls, it can cause the prices of individual stocks to fall indiscriminately. This is also called *systemic* or *systematic* risk.

**Mutual Fund Risk** – The risk of owning a mutual fund generally reflects the risks of owning their underlying securities (e.g., stocks, bonds, etc.). When an investor purchases a mutual fund, that investment may bear additional expenses based on its prorated share of the mutual fund operating expense and certain brokerage fees, which may include the potential duplication of certain fees.

**Passive Markets Theory** – A portfolio that employs a passive, efficient markets approach (representative of Modern Portfolio Theory) has the potential risk that at times the broader allocation may generate lower-than-expected returns than those from a specific, more narrowly focused asset, and that the return on each type of asset is a deviation from the average return for the asset class. Our firm believes this variance from the “expected return” is generally low under normal market conditions when a portfolio is made up of diverse, low or non-correlated assets.

**QDI Ratios** – While certain mutual funds are known for their potential tax-efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these investment vehicles or holding periods within that may not benefit. Shorter holding periods as well as commodities and currencies (that may be part of a mutual fund holding) may be considered “non-qualified” under certain tax code provisions, therefore, the holding’s QDI should be considered if tax-efficiency is an important aspect of the portfolio.

**Technical Analysis** – The risk of investing based on technical analyses is that it may not consistently predict a future price movement; the current price of a security may reflect all known information. Further, a particular change in the market price of a security may follow a random pattern and may not be as predictable as desired.

#### **Voting Securities**

If OBS Financial receives duplicate correspondence relating to the voting of securities, class action litigation, or other corporate actions, we do not forward such correspondence to the account holder address of record nor return it to its originator.

OBS Financial does not vote client proxies nor do we offer guidance on how to vote proxies. The owner of record maintains responsibility for directing the manner in which proxies solicited by issuers of securities beneficially owned by them shall be voted as well as making all other elections relative to mergers, acquisitions, tender offers or other events pertaining to the account holder's investment assets.

Our firm will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a account holder account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving account assets.

#### **Item 7 - Client Information Provided to Portfolio Managers**

Under our wrap fee engagement, advisors will gather information about the client and their financial situation, investment objectives, and any reasonable restrictions they may want to impose on the management of the account. We will then utilize this data to establish an asset allocation in support of a portion or the entire portfolio in accordance with the selected investment manager’s strategies.

## **Item 8 - Client Contact with Portfolio Managers**

In certain instances, a client may be able to attend general communications sessions offered by the underlying mutual fund manager (e.g., DFA). When desiring to communicate with a fund manager, we would ask that our firm serve as coordinator so that we may effectively assist both parties and follow up as necessary.

## **Item 9 - Additional Information**

### **Disciplinary Information**

OBS Financial Services has not been subject to a reportable legal or disciplinary event. OBS Financial's CEO/President, John Henry, without admitting or denying findings, submitted a letter of Acceptance, Waiver and Consent (AWC) to the Financial Industry Regulatory Authority (FINRA), which was accepted by FINRA on June 20, 2016. The AWC acknowledged that Mr. Henry, while serving as the CEO of OBS Brokerage Services Inc., a former affiliate of OBS Financial, failed to make the certifications required by FINRA Rule 3130 in 2011 and 2012. Mr. Henry completed documents prepared by the former brokerage firm's chief compliance officer reflecting its annual compliance meeting, and these documents had been determined by FINRA to not adequately address the testing and verification of the former brokerage firm's supervisory system as required by FINRA Rule 3130. The certifications referred to having processes in place to establish, maintain and review the former brokerage firm's compliance policies and written supervisory procedures, and to have a report of the testing and verification of the same. The AWC reflects Mr. Henry's consent to a censure and a \$10,000 fine.

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

Our policies require that we conduct business activities in a manner that avoid actual or potential conflicts of interest between the firm, employees and our clients, or that may otherwise be contrary to law. We will provide disclosure prior to and throughout the term of an engagement of any conflicts of interest which will or may reasonably compromise our impartiality or independence.

Our firm is not registered nor has an application pending to register as a FINRA or National Futures Association (NFA) member firm, nor are we required to be registered with such entities. Neither our firm nor its management is or has a material relationship with any of the following types of entities:

- accounting firm or accountant
- insurance company or insurance agency
- lawyer or law firm
- real estate broker or dealer
- sponsor or syndicator of limited partnerships
- investment company or other publically traded pooled investment vehicle

Ownership of OBS Financial is through OBS Holdings, Inc., which is subsequently owned by WBI OBS Holdings, LLC of Perrysburg, OH. Majority shareholder of WBI OBS Holdings, LLC is Canandaigua National Bank & Trust.

As described in Item 4 of this brochure involving our advisory business and investment models, we will select mutual fund managers (whom are required to be registered investment advisors) whose strategies, services or investment vehicles meet our investment committee criteria.

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

OBS Financial believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate or at least minimize potential material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. It is important to note that no set of rules can anticipate or relieve all potential material conflicts of interest. Our firm will disclose to its clients any material conflict of interest relating to the firm, its representatives, or any of its associates which could reasonably be expected to impair the rendering of unbiased and objective advice (such as roles described in this section of the brochure or an associate's brochure supplement).

### ***Code of Ethics***

Our firm has adopted a Code of Ethics that sets forth the policies of ethical conduct for its personnel and accepts the obligation not only to comply with the mandates and requirements of applicable law and regulation but also to take responsibility to act in an ethical and professionally responsible manner in its professional services and activities. The firm periodically reviews and amends its Code of Ethics to ensure currency, and all firm access persons are required no less than annually to attest to their understanding and adherence. OBS Financial will provide a copy of its Code of Ethics to any client or prospective client upon request.

### ***Privacy Policy Notice***

When required, a copy of the firm's privacy policy notice will be provided to an account holder prior to, or contemporaneously with, the execution of an engagement agreement. The firm will notify its clients in advance if its privacy policy is expected to change.

### ***Investment Recommendations Involving Material Financial Interests***

Neither the firm nor an associate is authorized to recommend to a client, or effect a transaction for a client, involving any security in which the firm or a "related person" (e.g., associate, an immediate family member, etc.) has a material financial interest, such as in the capacity as an underwriter or advisor to an issuer of securities, etc.

An associate is prohibited from borrowing from or lending to a client unless the client is an approved lending institution.

### ***Personal Trading***

OBS Financial does not trade for its own account (proprietary trading). The firm may make recommendations or take action with respect to investments for its clients that may differ in nature or timing from recommendations made to or actions taken for other clients or related persons, and related persons may buy or sell securities similar to those recommended to account holders for their accounts. At no time will a related person receive preferential treatment over a client. In an effort to reduce or eliminate certain conflicts of interest involving personal trading, firm policy may require the utilization of published lists that restrict or prohibit transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm's Chief Compliance Officer in advance of the transaction in any related person's account.

## Review of Accounts

### ***Scheduled Reviews***

The client's representative may periodically review reports provided to the client by Lockwood and may contact the client on an annual basis to offer a review of their financial situation and objectives. Our firm will communicate information from the client's representative to portfolio managers as warranted and will assist parties in understanding and evaluating the services provided by each manager.

Reviews will also be conducted on a macro level by our investment committee and supervisory staff, as well at the client level by the client's representative. Normally these reviews involve analysis and possible revision of investment strategies and investment allocations, etc.

### ***Non-Periodic Reviews***

Each client is encouraged to contact their representative for additional reviews when there are material changes that occur in their financial situation (i.e., change of employment status, receipt of a significant bonus, an inheritance, or other circumstances), or if they prefer to make changes involving their account.

Additional reviews by portfolio managers, compliance and/or operations personnel may be triggered by news or research related to a specific holding, a change in our view of the merits of a holding, or news related to the macroeconomic climate affecting a sector or holding within that sector. Portfolios may be also reviewed for an additional holding or when an increase in a current position is under consideration. Account cash levels above or below what we deem appropriate for the investment environment, given the client's stated tolerance for risk and investment objectives, may also trigger a review.

### ***Content of Client Provided Reports and Frequency***

Clients will receive account statements sent from their custodian of record where their investments are held. We urge each client to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear.

Any client receiving portfolio performance reports from any source are urged to carefully review and compare account statements that they have received from their custodian.

## Client Referrals and Other Compensation

### ***Economic Benefit from External Sources and Potential Conflicts of Interest***

Beyond the fees earned by OBS Financial for its advisory services as described in Item 4, our firm does not receive any other economic benefit from Pershing.

### ***Advisory Firm Payments for Investor Referrals***

### ***Solicitor Engagements***

If a prospective client is introduced to OBS Financial by an unaffiliated solicitor, our firm may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities law requirements. Our firm will pay this referral fee to the solicitor as long as the account remains with our firm. The costs or fees payable by the account holder for the services provided our firm may be increased as a result of the firm's payments to



the solicitor by an amount equal to the amount of the payments by the firm to the solicitor. The solicitor will disclose the nature of their relationship to prospective investors at the time of solicitation and will provide prospective investors with both OBS Financial Form ADV Part 2A and/or wrap fee brochure in addition to the solicitor's disclosure statement that contains the terms and conditions of the solicitation arrangement, including compensation arrangements.

#### Financial Institution Referrals

If an advisory associate is concurrently an employee of a financial institution or its subsidiary, that associate may receive or provide referral among those separate entities. Our advisory firm does not compensate for such introductions.

#### Referrals to Other Professionals

Upon request, we may provide referral to various professionals, such as an accountant or an attorney. While these referrals are based on the best information made available, the firm does not guarantee the quality or adequacy of the work provided by these referred professionals. There is not an agreement with these entities nor are referral fees received from these professionals for such informal referrals. Any fees charged by these other entities for their services are completely separate from fees charged by our firm.

#### Industry Memberships

A firm associate may hold individual membership or serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements. A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual participants within a selected state or region. These passive websites may provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area, and would receive the same or similar information. A portion of these participant's membership fees may be used so that their name will be listed in some or all of these entities' websites (or other listings). Prospective clients locating our firm or an associate via these methods are not actively marketed by the noted associations. Clients who find us in this way do not pay more for their services than clients referred to us in another fashion, such as by another client. We do not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

#### Financial Information

OBS Financial will not take physical custody of client assets. Advisory fee withdrawals must be done through a qualified intermediary (e.g., custodian of record) per prior written agreement.

Our firm will not collect advisory fees from a client of \$1,200 or more for services to be performed six months or more into the future.

Neither the firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm's advisory clients are either partners of the partnership or beneficiaries of the trust.



The firm and its management do not have a financial condition likely to impair the firm's ability to meet commitments to our clients, nor have they been the subject of a bankruptcy petition at any time during the past 10 years. Due to the nature of our firm's services and operational practices, an audited balance sheet is not required nor included in this brochure.