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## **Form ADV Part 2A – Appendix 1**

Wrap Fee Program Brochure

(Retail Advisor Firms)

February 7, 2019

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 are 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 Ms. Catherine Farley, Chief Compliance Officer, 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., previously amended its ADV Part 2 on March 26, 2018; the following material changes have occurred since that filing:

1. Item 4 – OBS has added a disclosure provision about the client’s ability to place restrictions on his or her account. Please see page 5.
2. Item 5 – OBS has clarified its graduated fee structure. Please see page 16.
3. Item 14 – OBS Financial has added disclosure about the duties and responsibilities of any solicitor compensated by OBS. Please see page 30.

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. 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 Our Advisory 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, 2017, OBS Financial managed \$1.918 billion.<sup>1</sup> This total represents non-discretionary assets of \$1.515 billion and discretionary assets of \$748 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 \$345 million. If these additional assets are added to the totals above, as of December 31, 2017, OBS Financial was responsible for \$2.26 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 Fidelity Institutional Wealth Services, member FINRA/SIPC,<sup>3</sup> and we may also use Mid-Atlantic Trust Company (collectively, the custodians). 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 will also receive a separate Form ADV Part 2B 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 through a risk questionnaire which assists in generating the client's Investment Policy Statement. Within the next sixty days, at account opening, a client will be able to indicate if he/she has any reasonable account restrictions by the use of the Restrictions/Trusted Contact form. A client will receive a reminder communication quarterly on the custodian statement or directly from OBS if a client wants to place any restrictions on the account. A client's investment representative will also ask about restrictions during the annual review of the client's account as well. 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.

### ***Available Portfolio Models***

#### ***Efficient Frontier Series Description***

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. The following paragraphs provide a description of each series.

**DFA/Efficient Frontier Series – DFA/EFS:** The DFA/EFS portfolio series are dynamically managed asset class portfolios that follow the covenants of Modern Portfolio Theory of reducing risk by diversifying among an extensive range of asset classes including, but not limited to, domestic and international equities, fixed-income securities, and real estate. These portfolios are tilted to have a greater exposure toward small capitalization, value, and highly profitable stocks, in an effort to capture the risk premiums these asset classes have historically displayed. In an effort to dampen volatility, a high-quality, short-term fixed income strategy is employed within the series. These model portfolios are built using the DFA mutual fund series (institutional share classes).

**DFA/Efficient Frontier Series – DFA/EFS Positive (+) Tilt:** Using the DFA/EFS Core series as a baseline, these portfolios are constructed in the same manner; however, they are more heavily weighted, or tilted, towards small cap, value, and highly profitable stocks. These portfolios exhibit a greater degree of standard deviation because of this tilting and carry an expectation of a higher return due to the risk premium that small cap and value stocks have historically provided.

**DFA/Efficient Frontier Series – DFA/EFS Negative (-) Tilt:** This series attempts to reduce the overall volatility in the portfolios by reducing the degree to which the portfolios are tilted towards small cap and value stocks. The portfolios maintain a prudent level of exposure to these asset classes; however,

the exposure is less than that which is contained in the DFA/EFS Core or positively titled portfolio series. The series is well diversified while experiencing a lower standard deviation than the core series.

**DFA/EFS Enhanced International – DFA/EFS EI:** This series of portfolios is constructed in the same manner as the DFA/EFS Core series following the covenants of Modern Portfolio Theory reducing risk by diversifying among an extensive range of asset classes. This series differs from the core series in that it provides additional exposure to foreign equity asset classes (increased from 30% to 40%) to align more closely with the world market capitalization, in an effort to enhance diversification and growth potential provided by foreign markets.

**DFA/EFS Socially Responsible Investing Series – DFA/EFS Social:** This series is constructed utilizing the DFA series of socially responsible mutual funds. The portfolios employ the same portfolio construction principles as the DFA/EFS Core series; however, a social screening strategy is applied. The screening strategy seeks to exclude investments in companies whose businesses are identified as having exposure to certain forms of health care, the military, human and/or labor rights and the environment.

**DFA/EFS Income Portfolio:** The overall investment objective of the DFA/EFS Income Portfolio is to maximize total return by providing a steady stream of income to the investor. The portfolio has the ability to invest in a full range of investment grade bonds, while extending term limitations. The investor remains diversified as the portfolio invests in various types of government and corporate issues of varying quality, geography and maturity terms.

**DFA/EFS S (Sustainability):** The DFA/EFS S Series is a series of portfolios created by OFS Financial Services utilizing Dimensional Fund Advisors series of Sustainability funds. The portfolios employ an investment philosophy that is similar to the DFA/EFS Core Series philosophy with an environmental impact screening strategy applied. The screening seeks to limit investment in certain companies that are identified by environmental impact screens, as reflected in the prospectus. These screens were designed to meet the sustainability investing needs of shareholders.

**DFA/EFS Components:** The component series utilizes the three main components or major market segments within the DFA/EFS 100/0 portfolio. This portfolio is segregated into three separate portfolios or components based on geographic region. The components consist purely of equities in the US, non-US developed countries, and emerging market countries. These portfolios are tilted to have a greater exposure toward small capitalization, value, and highly profitable stocks, in an effort to capture the risk premiums these asset classes have historically displayed. The portfolios are highly diversified within their respective market.

### **OBS Core II Series**

The OBS Core II portfolio series is a strategy that follow the covenants of Modern Portfolio Theory of reducing risk by diversifying among an extensive range of asset classes including, but not limited to, domestic and international equities, fixed-income securities, and real estate. These portfolios are tilted to have a greater exposure toward small capitalization, value, and highly profitable stocks, in an effort to capture the risk premiums these asset classes have historically displayed. These model portfolios are built using the DFA mutual fund series (institutional share classes). The series employs a core fund methodology to keep costs at a minimum on an operational and trading level.

### ***Efficient Frontier Model Description***

## **DFA/EFS**

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.

## **DFA EFS + Tilt (+)**

The **+20/80%** portfolio provides additional exposure to the US Small Cap and Value asset classes for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio over the long term. The +20/80% portfolio provides investors with an 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, and 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 slightly raises the growth potential.

The **+40/60%** portfolio provides additional exposure to the US Small Cap and Value asset classes for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +40/60% portfolio provides a balanced investment approach, with a touch of conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout equity asset classes; however, this exposure is moderated by a strong bond presence. With 60% of the portfolio assets in the bond markets, the investor can receive a consistent stream of income and some protection from a downward stock market.

The **+50/50%** portfolio provides additional exposure to the US Small Cap and Value asset classes for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +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 an average tolerance for investment fluctuations.

The **+60/40%** portfolio provides additional exposure to the US Small Cap and Value asset classes for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +60/40% portfolio provides a fairly balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for capital appreciation. Its 40% bond presence provides income to the investor, as well as market downturn protection.

The **+70/30%** portfolio provides additional exposure to the US Small Cap and Value asset classes for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +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 limited income generation and downside protection.

The **+80/20%** portfolio provides additional exposure to the US Small Cap and Value asset classes for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +80/20% portfolio provides almost complete exposure to the stock market, with an aggressive approach towards increasing growth. A small bond presence is maintained, but income generation and downturn protection is limited.

The **+100/0%** portfolio provides additional exposure to the US Small Cap and Value asset classes for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +100/0% portfolio is the most aggressive portfolio and offers full exposure to the stock market. The +100/0% portfolio is also diversified between domestic and international stocks, with no exposure to the bond markets.

#### **DFA EFS - Tilt (-)**

The **-20/80%** portfolio provides reduced exposure to the US Small Cap and Value asset classes for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -20/80% portfolio provides investors with an 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 and 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 slightly raises the growth potential.

The **-40/60%** portfolio provides reduced exposure to the US Small Cap and Value asset classes for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -40/60% portfolio provides a balanced investment approach, with a touch of conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout equity asset classes; however, this exposure is moderated by a strong bond presence. With 60% of the portfolio assets in the bond markets, the investor can receive a consistent stream of income and some protection from a downward stock market.

The **-50/50%** portfolio provides reduced exposure to the US Small Cap and Value asset classes for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -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 an average tolerance for investment fluctuations.

The **-60/40%** portfolio provides reduced exposure to the US Small Cap and Value asset classes for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -60/40% Portfolio provides a fairly balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for capital appreciation. Its 40% bond presence provides income to the investor, as well as market downturn protection.

The **-70/30%** portfolio provides reduced exposure to the US Small Cap and Value asset classes for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -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 limited income generation and downside protection.

The **-80/20%** portfolio provides reduced exposure to the US Small Cap and Value asset classes for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -80/20% portfolio provides almost complete exposure to the stock market, with an aggressive approach towards increasing growth. A small bond presence is maintained, but income generation and downturn protection is limited.

The **-100/0%** portfolio provides reduced exposure to the US Small Cap and Value asset classes for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -100/0% portfolio is the most aggressive portfolio and offers full exposure to the stock market. The -100/0% portfolio is also diversified between domestic and international stocks, with no exposure to the bond markets.

### **DFA/EFS Socially Responsible (SR)**

The **DFA/EFS SR 60/40%** portfolio provides a fairly balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for capital appreciation. Its 40% bond presence provides income to the investor, as well as market downturn protection. The portfolio seeks to exclude investment from certain companies that are identified by the portfolio's social screens, as reflected in the prospectus. These screens were designed to meet the social investing needs of shareholders.

The **DFA/EFS SR 80/20%** portfolio provides almost complete exposure to the stock market, with an aggressive approach towards increasing growth. A small bond presence is maintained, but income generation and downturn protection is limited. The portfolio seeks to exclude investment from certain companies that are identified by the portfolio's social screens, as reflected in the prospectus. These screens were designed to meet the social investing needs of shareholders.

The **DFA/EFS SR 100/0%** portfolio is the most aggressive portfolio and offers full exposure to the stock market. The 100/0% portfolio is also diversified between domestic and emerging market stocks, with no exposure to the bond markets. The portfolio seeks to exclude investment from certain companies that are identified by the portfolio's social screens, as reflected in the prospectus. These screens were designed to meet the social investing needs of shareholders.

### **DFA/EFS Enhanced International (EI)**

The **DFA/EFS EI 0/100%** portfolio provides investors with a conservative and consistent stream of income, while providing inflation protection through the utilization of inflation protected securities. The investor remains diversified by investing in various asset classes, which are comprised of government and corporate bonds of various quality, geographical region and maturity.

The **DFA/EFS EI 20/80%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The 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, and 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 EI 40/60%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio 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 and some protection from a volatile stock market.

The **DFA/EFS EI 50/50%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The 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 EI 60/40%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio provides a fairly balanced investment approach with an emphasis on 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 EI 70/30%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The 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 EI 80/20%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The 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 EI 100/0%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The 100/0% portfolio is the most aggressive portfolio and offers full exposure to the stock market. The portfolio is diversified between domestic and international stocks, with no exposure to the bond markets.

### **DFA/EFS Retirement Series**

The **DFA/EFS Retirement 0/100%** portfolio is to maximize total return by providing a steady stream of income to the investor. The portfolio has the ability to invest in a full range of investment grade bonds with extended maturities. The investor remains diversified by investing in various types of government and corporate issues of diverse quality, geographical region, and maturity.

The **DFA/EFS Retirement 20/80%** portfolio provides investors with an opportunity to build wealth through a conservative risk managed approach, while using a full core strategy to reduce expenses and trade costs. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, and 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 slightly raises the growth potential.

The **DFA/EFS Retirement 40/60%** provides a balanced investment approach with a conservative emphasis, while using a full core strategy to reduce expenses and trade costs. 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 Retirement 50/50%** portfolio aims to provide a balance between capital preservation and capital appreciation, while using a full core strategy to reduce expenses and trade costs. 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 Retirement 60/40%** portfolio provides a fairly balanced investment approach with an emphasis on long-term growth, while using a full core strategy to reduce expenses and trade costs. 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 Retirement 70/30%** portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards increasing long-term growth, while using a full core strategy to reduce expenses and trade costs. There is a small exposure to fixed income, providing marginal income generation and downside protection.

The **DFA/EFS Retirement 80/20%** portfolio provides substantial exposure to the global stock market, with an aggressive approach towards long-term growth, while using a full core strategy to reduce expenses and trade costs. A small bond presence is maintained, but income generation and downside protection is limited.

The **DFA/EFS Retirement 90/10%** portfolio is the most aggressive portfolio and offers the largest exposure to the stock market in an effort to promote long-term capital appreciation, while using a full core strategy to reduce expenses and trade costs. The DFA/EFS 90/10 portfolio is diversified between domestic and international stocks, with minimal exposure to the bond markets.

### **DFA/EFS Income**

The overall investment objective of the DFA/EFS Income portfolio is to maximize total return by providing a steady stream of income to the investor. The portfolio has the ability to invest in a full range of investment grade bonds with extended maturities. The investor remains diversified by investing in various types of government and corporate issues of diverse quality, geographical region, and maturity.

### **DFA/EFS S**

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

The portfolio seeks to exclude investments in certain companies that are identified by the portfolio's environmental impact screens, as reflected in the prospectus. These screens were designed to meet the sustainability investing needs of investors.

The **DFA/EFS S 80/20%** portfolio provides significant exposure to the stock market, with an approach focused on growth. A small bond presence is maintained, but income generation and downturn protection is limited. The portfolio seeks to exclude investments in certain companies that are identified by the portfolio's environmental impact screens, as reflected in the prospectus. These screens were designed to meet the sustainability investing needs of investors.

The **DFA/EFS S 60/40%** portfolio provides a fairly balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for capital appreciation. Its 40% bond presence provides income to the investor, as well as market downturn protection. The portfolio seeks to exclude investments in certain companies that are identified by the portfolio's environmental impact screens, as reflected in the prospectus. These screens were designed to meet the sustainability investing needs of investors.

#### ***Target Date Efficient Frontier Series (TD/EFS) (Closed)***

The TD/EFS portfolio series are dynamically managed target date portfolios that follow the covenants of Modern Portfolio Theory of reducing risk by diversifying among a broad range of asset classes including, but not limited to, domestic and international equities and fixed income securities and may include exposure to the REIT market. These portfolios are tilted to have a greater exposure toward small capitalization and value stocks to capture the premium these asset classes have historically displayed. The TD/EFS is a series of portfolios designed to assist investors on their path to retirement by dynamically altering the asset allocation. As the investor approaches retirement, the portfolio will automatically become more conservative.

**TD/EFS Balanced Income** – The Target Date/EFS Balanced Income Portfolio is designed for investors already in retirement. This is the most conservative of the Target Date/EFS Portfolios. It is designed to provide a constant stream of income through fixed income holdings while still moderately growing through equity allocations.

#### ***All other Target Date/EFS Portfolio allocations eventually mirror the Balanced Income Portfolio.***

The **TD/EFS 2010** portfolio is designed for people planning on retiring in 2010 and up to 10 years after January 2010. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every five years. In the year 2010, this portfolio will mirror the current allocation of the TD Balanced Income Portfolio.

The **TD/EFS 2020** portfolio is designed for people planning on retiring in 2020 and up to 10 years after January of 2020. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every five years. In the year 2020, this portfolio will mirror the current allocation of the Target Date Balanced Income Portfolio.

The **TD/EFS 2030** portfolio is designed for people planning to retire in 2030 and up to 10 years after January 2030. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every five years. In the year 2030, this portfolio will mirror the current allocation of the Target Date Balanced Income Portfolio.

The **TD/EFS 2040** Portfolio is designed for people planning to retire in 2040 and up to 10 years after January 2040. Over time, this portfolio will slowly change to a more conservative allocation by replacing

a portion of equity with fixed income every five years. In the year 2040, this portfolio will mirror the current allocation of the Target Date Balanced Income Portfolio.

The **TD/EFS 2050** Portfolio is designed for people planning on retiring in 2050 and up to 10 years after January of 2050. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every five years. In the year 2050, this portfolio will mirror the current allocation of the Target Date Balanced Income Portfolio.

#### **DFA/EFS Component Series**

**DFA/EFS International Developed Equity** - The DFA/EFS Developed Equity Portfolio is designed to provide full exposure to various International Developed capital markets and is structured to promote broad diversification and low expenses. The portfolio is engineered to provide consistent exposure to dimensions of returns which have shown to compensate investors for bearing this additional risk over time.

**DFA/EFS Emerging Market** - The DFA/EFS Emerging Market Portfolio is designed to provide full exposure to various Emerging capital markets and is structured to promote broad diversification and low expenses. The portfolio is engineered to provide consistent exposure to dimensions of returns which have shown to compensate investors for bearing this additional risk over time.

**DFA/EFS Domestic Equity** - The DFA/EFS Domestic Equity Portfolio is designed to provide full exposure to the U.S. stock market, while utilizing a core structure to promote broad diversification and reduced expenses. The portfolio is engineered to provide consistent exposure to dimensions of returns which have shown to compensate investors for bearing this additional risk over time.

#### **Tax-Advantage – OBS/TA**

The OBS/TA portfolio series are tax-efficient, dynamically managed asset class portfolios that follow the covenants of Modern Portfolio Theory of reducing risk by diversifying among an extensive range of asset classes including, but not limited to, domestic and international equities and fixed-income securities. These portfolios are tilted to have a greater exposure toward small capitalization, value, and highly profitable stocks, in an effort to capture the risk premiums these asset classes have historically displayed. The series implements tax advantageous fund management while also utilizing tax-sensitive securities, like municipal bonds. These model portfolios are built using the Dimensional Fund Advisors (DFA) mutual fund series (Institutional Share classes).

The **OBS/TA 0/100%** portfolio is designed for investors with high tax sensitivity and a conservative risk tolerance. It is designed to provide income not subject to AMT and exempt from Federal income tax. The portfolio invests in municipal securities across the nation with an emphasis on states with lower and no income tax.

The **OBS/TA 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. 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 portfolio implements tax efficient fund management while also utilizing tax-sensitive securities, such as municipal bonds.



The **OBS/TA 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 municipal bond presence. The portfolio implements tax efficient fund management while also utilizing tax-sensitive securities, such as municipal bonds.

The **OBS/TA 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 portfolio implements tax efficient fund management while also utilizing tax-sensitive securities, such as municipal bonds.

The **OBS/TA 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 helps dampen volatility during a stock market downturn. The portfolio implements tax efficient fund management while also utilizing tax-sensitive securities, such as municipal bonds.

The **OBS/TA 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 downside protection. The portfolio implements tax efficient fund management while also utilizing tax-sensitive securities, such as municipal bonds.

The **OBS/TA 80/20%** portfolio provides substantial exposure to the global stock market, with an aggressive approach towards growth. A small bond presence is maintained, but downside protection is limited. The portfolio implements tax efficient fund management while also utilizing tax-sensitive securities, such as municipal bonds.

The **OBS/TA 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. The portfolio implements tax efficient fund management for investors who are tax-sensitive.

## **OBS Core II**

The **Core II 20/80%** portfolio provides investors with an 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 and 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 slightly raises the growth potential.

The **Core II 40/60%** portfolio provides a balanced investment approach, with a touch of conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout equity asset classes; however, this exposure is moderated by a strong bond presence. With 60% of the portfolio assets in the bond markets, the investor can receive a consistent stream of income and some protection from a downward stock market.

The **Core II 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 an average tolerance for investment fluctuations.

The **Core II 60/40%** Portfolio provides a balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for capital appreciation. Its 40% bond presence provides income to the investor, as well as market downturn protection.

The **Core II 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 limited income generation and downside protection.

The **Core II 80/20%** portfolio provides almost complete exposure to the stock market, with an aggressive approach towards increasing growth. A small bond presence is maintained, but income generation and downturn protection is limited.

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

### Customized Portfolios

In limited situations, an account may be customized by select staff; incorporating assets outside standard portfolio models earlier noted.

### Wrap Fees Assessed

#### **Asset-Based Fee – Through Fidelity**

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

**Table 1: Custodian – Fidelity**

<b>Assets Under Management</b>	<b>Asset-Based Fee</b>
\$10,000 - \$500,000	0.50% (50 basis points)
\$500,001 - \$750,000	0.45% (45 basis points)
\$750,001 - \$1,000,000	0.40% (40 basis points)
\$1,000,001 - \$2,000,000	0.37% (37 basis points)
\$2,000,001 - \$4,000,000	0.34% (34 basis points)
\$4,000,001 - \$5,000,000	0.31% (31 basis points)
\$5,000,001 - \$10,000,000	0.21% (21 basis points)
\$10,000,001 - Above	0.16% (16 basis points)

The Fee Schedule listed above is tiered. Meaning, for a \$700,000 account, the first \$500,000 would be charged at the first tier of 50 basis points, and the next \$200,000 at the next tier of 45 basis points.

The fee schedule above does not include any other solicitation fee or management fee that the client may be charged by their investment advisor. Total OBS Financial and solicitor/advisor fee should not be



more than 2.50% in total on an annual basis. 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.

OBS Financial offers two different pricing options for your account through Fidelity. It is important for you to discuss these options with your financial advisor to determine which option is best for your advisory relationship, particularly because your account may change, or your account balance may require a change in pricing structure. It is up to you to communicate any changes with your account to your financial advisor or OBS Financial.

The following is a description of the pricing options available to you:

**Unbundled Pricing/Transaction Based Pricing** – This type of pricing means you are charged as a client for each trade in an account, as well as for performance reporting. Normally OBS Financial portfolios have 14 positions in them. When you open a new portfolio, you will be charged the cost of executing 14 trades per custodian charges. In addition, you will be charged a separate annual reporting fee of \$75. Each time you buy/sell into/out of the portfolio you will incur this per trade cost. If you have periodic deposits or distributions where funds are coming into the account to invest or funds need to be raised by selling positions for a distribution, you would incur those trade charges. This is a risk, as these charges may add up to a large dollar amount. It is important that you discuss the amount of activity anticipated in your account with your advisor to determine whether this option is appropriate for you. This is often recommended to clients who do not have much account activity or have a large account value.

**Bundled Pricing/Wrap Pricing** – This type of pricing means you are charged an all-in fee for all trading and reporting. Normally this fee is a basis point fee charged each quarter based on the asset value in your account. You can have a lot of trading activity in your account, but you are charged one fee. However, if you do not anticipate having frequent trades in your account, you still would be charged this all-in fee. Also, if an account does not fall out of its agreed position parameters, the account is not rebalanced, so no trades would be done.

OBS Financial normally rebalances accounts around the 13<sup>th</sup> month, if accounts are out of their required parameters. This option is often recommended for clients who have a lot of trading activity due to investing regularly.

The noted options need to be discussed with your financial advisor and it is important that you understand the pricing options available to you and the risks involved with each. Your advisor can help determine what option may be best for you.

### ***ERISA § 3(38) Services Fee***

If OBS Financial is engaged to serve as an ERISA § 3(38) fiduciary on the Fidelity platform, the following asset-based fees apply:

**Table 2: ERISA Services/Custodian – Fidelity**

<b>Assets Under Management</b>	<b>Asset-Based Fee</b>
\$10,000 - \$750,000	0.40% (40 basis points)
\$750,001 - \$5,000,000	0.35% (35 basis points)
\$5,000,001 - \$10,000,000	0.31% (31 basis points)

\$10,000,001 - Above	0.21% (21 basis points)
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The Fee Schedule listed above is tiered. Meaning, for a \$1,000,000 account, the first \$750,000 would be charged at the first tier of 40 basis points, and the next \$250,000 at the next tier of 35 basis points.

### **Asset-Based Fee – Through Mid-Atlantic**

Accounts maintained on the Mid-Atlantic platform will be assessed an annualized asset-based fee by Mid-Atlantic on behalf of OBS Financial as follows:

**Table 3: Custodian – Mid-Atlantic**

<b>Assets Under Management</b>	<b>Asset-Based Fee</b>
\$10,000 - \$500,000	0.50% (50 basis points)
\$500,001 - \$1,000,000	0.45% (45 basis points)
\$1,000,001 - \$4,000,000	0.40% (40 basis points)
\$4,000,001 - Above	0.30% (30 basis points)

The Fee Schedule listed above is tiered. Meaning, for a \$700,000 account, the first \$500,000 would be charged at the first tier of 50 basis points, and the next \$200,000 at the next tier of 45 basis points.

The fee schedule for Mid-Atlantic and ERISA do not include any other solicitation fee or management fee that the client may be charged by their investment advisor. Total OBS Financial and solicitor/advisor fee should not be more than 2.50% in total on an annual basis. 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 within their engagement agreement.

### **Discounting Fees**

For the benefit of discounting the asset-based fee, we may aggregate accounts for the same individual or two or more accounts within the same family, as well as accounts where a family member has power of attorney over another family member's account. This is called house holding fee billing. Should investment objectives be substantially different for any two or more household accounts, requiring different investment approaches or operational requirements, we reserve the right to separately apply our fee schedule.

The services to be provided to you and their specific fees will be detailed in your engagement agreement. Our published fees are negotiable at the discretion of an officer of our firm.

### **Fee Payment**

As determined by the engagement agreement, annualized asset-based fees for may be billed: (i) quarterly, in advance, based on the account value of the last business day of the previous quarter, or (ii) the first business day of the quarter, or (iii) quarterly, in arrears, based on the account value of the last business day of the quarter.

Fee payments will generally be assessed within the first 10 business days following of each billing period. The account's first billing cycle will normally occur once the account is funded and investments

allocated, irrespective of a partial period under the firm's management, however, a partial period may be assessed a prorated fee.

Accounts will be valued in accordance with the values disclosed on the client's performance statement the client receives from the performance reporting provider or from the adviser, for the purpose of verifying the computation of the advisory fee. At times, there may be timing differences between the custodian statement and the performance reports you are billed off of. Often the timing differences have to do with "as-of" reporting of dividends or cash deposits be recorded late. Over time, these items work themselves out which is why they are called timing differences. In the absence of a reportable market value, our firm may seek an independent third-party opinion or a good faith determination by a qualified associate.

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, which will typically be in writing to OBS Financial. If the client verbally notifies our firm of the termination and, if in two business days following this notification we have not received a notice in writing, we will make written notice of the termination in our records. Our firm will not be responsible for future allocations or transactional services (except limited closing transactions) upon receipt of a termination notice. It will also be necessary that we inform the custodian of record that the relationship between the firm and the client has been terminated. 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 the transfer to. This means transactions cannot be processed within the account. The transfer process can take several weeks.

If our wrap fee program brochure was not delivered 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. OBS Financial will promptly return any prepaid but unearned advisory fees upon receipt of a termination notice, which we typically coordinate via the custodian of record.

### **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.

- Exchange fees
- SEC regulatory fees
- Advisory and administrative fees charged by mutual funds and exchange-traded funds (ETFs)
- Custodial fees
- 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 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.

- 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.

OBS Financial is deemed to have custody due to assets in accounts for which Advisor has the authority to transfer funds via standing letter of automation (SLOA). These transfer authorizations meet the requirements of the SEC's February 21, 2017 No Action Letter on Custody.

### ***Trade Errors***

The firm corrects its trade errors through an account maintained by our custodian, and the firm or advisor may be responsible for trading error losses that occur within a client account. Should a gain occur, it may be netted against past losses. Gains created as a result of trading errors will be swept into a designated account maintained by our custodian and subsequently donated to a charity of our choosing. The charity will not have any affiliation or relation to OBS Financial.

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

### ***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, the 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 \$10,000 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 following completed documents to the firm:

- Investment Management Agreement
- Custodian Account Application
- Investment Policy Statement based on a risk questionnaire
- OBS Account Trade Pricing Options (if applicable)
- Government Issued ID

Based on these completed documents, our firm will make the initial determination as to your suitability for the wrap fee program. We also make an assessment of whether to establish an account for the client based on the appropriate documentation submitted, risk tolerance, asset allocation recommendations and other information your advisor provides.

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.

The custodian for program accounts will be stated in the client agreement. The custodian 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. In all instances, OBS Financial reserves the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, or pre-existing relationships. We also reserve the right to decline services to any prospective client for any non-discriminatory reason.

### **Client Checks**

It is important that client checks are to be made payable to the custodian (Example – Fidelity) for the benefit of (with client's name). OBS Financial will promptly forward the check to client's custodian provided the check complies with the rules of the custodian regarding client checks. Otherwise, the

check will be returned to the client. If a check is made payable to OBS Financial, it is promptly returned to the client within 3 business days. OBS Financial does not accept client funds.

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

### **Selection and Review of Portfolio Managers**

Our investment committee conducts due diligence on each 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 fund manager should be replaced due to poor performance, regulatory or compliance matters, etc.

The benchmarks for account performance are based on each client's responses to suitability information and their investment statement. Using these responses, the firm is able to select a fund manager felt capable to employ an appropriate investment strategy as well as develop a diversified portfolio using this strategy. Our firm maintains client profiles and may recommend adjustments to portfolios accordingly.

Clients may receive written performance reports prepared by OBS Financial that have been generated using third-party performance reporting software. These reports are calculated using a time-weighted methodology that is intended to inform clients about their investment performance over the current period and since account inception, both on an absolute basis and as compared to a known benchmark. Our performance reports are reviewed for accuracy by client services prior to delivery, as well as periodic back-testing by operations and compliance personnel.

### **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***

The firm will take into consideration the client's current financial situation, needs, goals, objectives and tolerance for risk. Asset allocation and investment decisions are made in the firm's judgment to meet the client's objectives while minimizing risk exposure. To achieve this, the 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 fall, 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**

### ***Information Provided to Portfolio Managers***

Under our wrap fee engagement, we 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.

### ***Investment Discretion***

Portfolio models are managed by OBS Financial on a discretionary basis. Via limited power of attorney, discretionary authority allows a firm to implement investment decisions, such as the purchase or sale of a security on behalf of an account, without requiring prior client authorization for each transaction in order to meet stated portfolio investment objectives. Non-discretionary basis requires a client's ongoing approval involving the investment and reinvestment of account assets. Note that the custodian will typically limit a firm's authority within an account to the placement of trade orders and the request for the deduction of advisory fees.

Under either form of account authority, the client grants trading authorization through the execution of an engagement agreement and custodian of record's account opening documents. Clients are able to amend account authority by providing revised written instructions. It is important that clients keep their investment representative updated of any change in their situation and/or investment objective so that they may reevaluate previous investment recommendations or portfolio holdings.

## **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 will periodically review reports provided to the client by the portfolio manager 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 via their representative to portfolio managers as warranted and will assist parties in understanding and evaluating the services provided by each manager. In certain instances, the client may be able to communicate with their portfolio 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.

A copy of a revised investment statement or asset allocation report will be provided to the client upon request.

#### ***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. A copy of revised asset allocation reports will be provided when appropriate.

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

### ***Retirement Account Rollover***

For clients who roll-over assets from a retirement plan account into a form of an IRA managed account, those individuals will be paying more in fees in the roll-over managed account than if the assets remained in the retirement plan account. Your advisor/solicitor will review the assets held in your current retirement plan account and discuss the investment proposal for your new IRA managed account. Additionally, he/she will provide you with an explanation of the fees that will be charged for a managed account. An advisor/solicitor provides several different services for a roll-over managed account which your current retirement plan account may not have. That is why you will generally pay more in fees for a managed account. (Additional information is provided in our Investment Policy Statement)

### **Client Referrals and Other Compensation**

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

OBS Financial may participate in the noted custodians' institutional programs and we require these same custodians to be used for our wrap fee program accounts for custody and brokerage services. We may receive economic benefit from a custodian in the form of the support products and services they make available to us and other independent investment advisors. We may receive periodic referrals from a custodian, however, such introductions are not a factor in our selection of a custodian. There is no direct link between our participation in the program and the investment advice or services we provide our clients. Our firm receives economic benefits through its participation in the program. These benefits may periodically include the following products and services (provided either without cost or at a discount):

- receipt of duplicate account statements and confirmations
- research related products and tools
- consulting services
- access to a trading desk serving accounts
- the ability to have advisory fees deducted from an account per written agreement

- access to an electronic communications network for order entry and account information
- access to mutual funds with no transaction fees, and to certain institutional money managers; and
- discounts on marketing, research, technology, and practice management products or services provided to our firm by third party vendors

A custodian may also pay for business consulting and professional services received by our firm to assist us in managing and administering our accounts. Some of the products and services may favorably benefit our firm but may not benefit each investor's account, and they may also indirectly benefit accounts not maintained at a noted custodian. As part of our fiduciary duty we endeavor to put the interests of our clients first.

We believe it is also important to mention that the benefit received by our firm from a custodian does not depend on the amount of brokerage transactions directed to that custodian, and we believe our selection of each custodian is in the best interests of our clients since the selection is primarily supported by the scope, quality, and cost of their services -- not just those services that benefit only our firm.

### ***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.

Solicitor shall be the primary contact for the client and to function as that client's financial advisor. The solicitor is responsible for:

- Preparing and documenting client annual reviews;
- Ensuring client paperwork is completed and turned into OBS Financial;
- Utilizing the Risk Profile Questionnaire and the Investment Policy Statement that is generated with all clients;
- Developing the relationship with the client;
- Communicating to OBS Financial any changes with the client such as financial changes, name and address changes, life changes (such as death), portfolio and fee billing changes;
- Ensuring compliance with Rule 3a-4(a)(2)(iii) to review annually with the client and document whether or not he client wishes to impose any reasonable account restrictions and notify OBS of any of these restrictions;
- Explaining what OBS Financial does and what OBS's role is in working with the Solicitor;
- Understanding the OBS Financial portfolios;
- Interacting with the client on various needs for tax forms, distribution requests, and deposits

- Continuing to know his/her client by keeping updated on the client's financial situation, employment status, tax status and time horizon for investments; and
- Implementing new processes or account requirements as requested by OBS Financial and/or by the custodian.

The solicitor falls under the supervision of their broker-dealer or registered investment advisor. OBS Financial does not have any compliance supervision over the solicitors. However, OBS is required to follow up with solicitors to ensure they are performing their duties as spelled out in the Solicitor Agreement. Solicitors are responsible for communicating any compliance issues with any financial representative who utilizes OBS Financial's services.

#### 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 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.