



Appendix 1 of Form ADV, Part 2A  
Wrap Fee Program Brochure  
March 29, 2019

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This wrap fee program brochure provides information about the qualifications and business practices of WealthSource® Partners, LLC (“**WealthSource**”). If you have any questions about the contents of this brochure, please contact us at (805) 546-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority. Additional information about WealthSource is also available on the SEC’s website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov) by searching for CRD No. 282202. References herein to WealthSource as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This Wrap Fee Program Brochure was amended on April 3, 2018, to disclose WealthSource's receipt of financial assistance from Charles Schwab & Co., Inc. to pay for technology, marketing and research-related expenses and the conflicts of interest that are created as a result of this arrangement due to the incentive that it creates for WealthSource to recommend the custodial and/or brokerage services of Charles Schwab & Co. Inc. over those of other custodians. The amount of financial assistance to be granted to WealthSource is dependent on the amount of net new assets that are placed in Charles Schwab & Co., Inc.'s custody between March 27, 2018 and March 27, 2019, that are under WealthSource's management.

On October 3, 2018, this Wrap Fee Program Brochure was amended to alert clients as to conflicts of interest that exist as a result of WealthSource's receipt of sponsorships from various financial industry participants whose products or services may be utilized in the management of client accounts and to disclose how WealthSource addresses these conflicts of interest. Amendments were also made to remove disclosures relating to Keith Alan Jaskulski whose solicitation arrangement with WealthSource was terminated.

On March 29, 2019, disclosures relating to WealthSource's FlexBeta models were completely revised in order to reflect material wholesale changes to the construction of the FlexBeta models that were made in 2019, including the move to a fully tactical portfolio with the elimination of the previous FlexBeta allocation to WealthSource's PAM models. Additionally, this Wrap Fee Program Brochure was amended to disclose a new solicitation arrangement with Timberline Bank and the conflicts of interest associated with such arrangement.

Information in this Wrap Fee Program Brochure regarding Investment Adviser Representatives of WealthSource who engage in outside business activities as Registered Representatives of unaffiliated broker-dealers and as Insurance Agents/Producers of unaffiliated insurance companies and/or insurance agencies has also been continuously updated since February 8, 2018.

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## Item 4 – Services, Fees and Compensation

### WRAP FEE PROGRAM SERVICES

A “wrap fee program” provides clients with at least two types of services, investment advisory and trade execution, for a single “wrap” fee. The wrap fee paid to WealthSource by clients who participate in the WealthSource Managed Wrap Fee Program (the “**Program**”) covers all fees and costs associated with portfolio management, trade execution, custody, and client reporting relating to Program assets. All portfolio management services for clients participating in the Program are provided by WealthSource.

### WRAP FEES

WealthSource’s annual wrap fees are based on a percentage of the market value of the client’s Program assets and generally range from a minimum of 1.00% to a maximum of 2.50%. All wrap fee arrangements, however, are negotiated individually with each client based on various objective and subjective factors. These factors include, but are not limited to, the amount of the assets placed under WealthSource’s management, the investment strategy that the client’s Program assets are managed under, the level and scope of the overall investment advisory services to be rendered and the complexity of the engagement. The final fee schedule negotiated with each Program client will be delineated in the client’s Investment Management Agreement with WealthSource (“**IMA**”).

Program clients should be aware that the wrap fees they pay may be more than the aggregate costs they would incur if they purchased each of the services provided by the Program separately. Additionally, the wrap fee is not based on the number of transactions effected in Program accounts and consequently, the likelihood that a client may pay higher investment advisory fees increases as the number of transactions effected in a client’s Program account(s) decreases. Furthermore, while WealthSource does not charge Program clients higher fees based on the volume of trading in their Program account, WealthSource may have an incentive to limit trading in a client’s Program account(s) because the execution costs that WealthSource incurs can be based on the aggregate number of trades executed in the accounts of Program clients. Program clients should also be aware that WealthSource has a conflict of interest when it recommends mutual funds that are available for purchase on a no-load and/or no-transaction fee basis over other comparable mutual funds that are subject to sales charges, which could have lower expense ratios, because WealthSource may not incur any expenses relating to such transactions, which ultimately reduces WealthSource’s costs in operating the Program, and because such cost savings are not passed through to Program clients.

Program clients generally elect to have wrap fees deducted directly from their custodial account(s), but, in the alternative, may elect to be billed for such fees. The IMA and/or the custodial/clearing agreement will authorize the custodian to debit client accounts for the amount of WealthSource’s wrap fee and authorize the custodian to remit such fee to WealthSource. In

the limited event that WealthSource bills the client directly for wrap fees, payment is due upon receipt of WealthSource's invoice. Wrap fees are generally deducted or billed monthly in advance, based on the market value of the Program assets under WealthSource's management on the last business day of the previous month, but may be billed quarterly in advance or monthly or quarterly in arrears in certain circumstances. Wrap fees are prorated for any new account opened during a calendar month or quarter based on the number of market days in the period that the account will be under WealthSource's management. WealthSource does not prorate its wrap fees with respect to cash flows except as part of a new account opening.

The IMA will continue in effect until terminated by either party in accordance with the terms of the IMA. In the event that a Program client terminates their IMA prior to the end of a month or quarter and is billed in advance, the client will receive a refund of any unearned wrap fees that were deducted from their custodial account(s). If the Program client was billed in arrears, the client will be responsible for paying pro-rated wrap fees for services rendered up to and through the date of termination. The amount of the refund is calculated by dividing the number of market days left in the month/quarter after the date of termination by the total number of market days in the month/quarter and multiplying that amount against the wrap fee that was received by WealthSource in advance for the month or quarter. The value of any amount owed is calculated by dividing the number of market days in the month/quarter up to and including the date of termination by the total number of market days in the month/quarter and multiplying that amount against the market value of the Program assets on the date of termination. A market day is any day that the New York Stock Exchange is open.

## **OTHER FEES AND EXPENSES CLIENTS MAY PAY**

In addition to the wrap fee discussed above, clients may also pay markups/markdowns on fixed income transactions as well as bank service fees; wire transfer and electronic fund transfer fees; interest on loans, debit balances and margin accounts; borrowing charges on securities sold short; odd-lot differential fees; transfer taxes; and other fees and taxes on brokerage accounts and securities transactions.

Mutual funds and exchange traded funds also charge internal management fees, which are paid to an unaffiliated third-party investment manager and disclosed in the fund's prospectus. Such charges and fees are exclusive of and in addition to WealthSource's wrap fee. Consequently, Program clients will pay two levels of investment management fees, one to WealthSource embedded in the wrap fee and one embedded within the net asset value of the mutual funds and exchange traded funds that Program clients are invested in.

## **IAR COMPENSATION**

Investment advisory representatives of WealthSource ("**IAR**") who recommend the Program to WealthSource clients receive a portion of WealthSource's wrap fees. The amount of compensation received by IARs for Program assets will vary and the amount of such

compensation may be more than what they would receive if the Program client elected to pay separately for investment advice, brokerage, and other services. Consequently, IARs may have an incentive to recommend the Program to clients over other programs or services offered by WealthSource.

Furthermore, because WealthSource negotiates wrap fee arrangements individually with each Program client, WealthSource's clients could pay diverse fees for the same services. Program clients should be aware that the wrap fee arrangements that WealthSource negotiates with each client are not designed to result in the same level of net profitability for WealthSource. Although WealthSource believes that the wrap fee arrangements that it negotiates with each individual client are reflective of the value of the services that WealthSource provides to such client, Program clients should be aware that the services provided by WealthSource may be available from other investment advisers for a lower fee.

Program clients, consequently, are encouraged to review and assess the services that WealthSource provides as well as the overall value of the Program and make their own independent determinations as to whether to enter into a wrap fee arrangement with WealthSource.

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

WealthSource generally requires a minimum account opening balance of \$100,000 to open a Program account. Multiple accounts of immediately-related family members, at the same mailing address, however, may be considered one consolidated account for purposes of meeting the minimum account opening balance threshold. Additionally, WealthSource, in its sole discretion, may reduce or waive its minimum account opening balance requirement, however, program clients should be aware that the strategies that WealthSource offers through the Program may not be applied effectively for accounts smaller than \$100,000. Program clients are generally individuals and high net worth individuals, but may also include some trusts and pension plans.

## **Item 6 – Portfolio Manager Selection and Evaluation**

### **SELECTION OF PORTFOLIO MANAGERS**

All Program accounts are managed by WealthSource through the IAR assigned to the account. WealthSource does not currently make available outside portfolio managers as part of the Program. It is WealthSource's belief that both it and its IARs have sufficient financial background and experience to provide the types of portfolio management services offered by the Program. Program clients are encouraged to review the respective Form ADV, Part 2B(s) ("**Brochure Supplement**") for the IAR assigned to their Program account for information on their specific background and experience.

WealthSource does not calculate composite performance returns for itself or its IARs, but may provide Program clients with quarterly performance information relative to their account(s). Program clients should be aware that no third-party, to WealthSource's knowledge, reviews any performance information that is created, prepared or distributed by or on behalf of WealthSource to determine the accuracy of the returns or its compliance with any applicable presentation standards. When providing quarterly performance information to clients, WealthSource endeavors to provide clients with time-weighted returns that are calculated on a uniform and consistent basis.

## **WEALTHSOURCE AS PORTFOLIO MANAGER**

As noted above, WealthSource is the only portfolio manager for the Program. Program clients should be aware that this practice of limiting the Program's offering of portfolio management services to those provided by WealthSource creates a conflict of interest as this practice allows WealthSource to retain a greater portion of the Program's wrap fees.

## **WEALTHSOURCE ADVISORY SERVICES**

As noted above, WealthSource acts as the sole portfolio manager for the Program through its IARs. The following provides information on the Advisory Services provided by WealthSource to Program clients.

### **Types of Advisory Services**

WealthSource offers a variety of investment advisory services on a discretionary basis to Program clients. These services include, but are not limited to, the creation of strategic, tactical and/or hybrid asset allocation strategies that are customized by the IAR for the client and/or the creation of customized portfolio allocations to strategic, tactical and/or hybrid asset allocation model portfolios, including, but not limited to, model portfolios managed by WealthSource's Chief Investment Officer and/or Investment Policy Committee, (hereafter, "**Platform Strategies**"). Program accounts are typically invested in exchange-traded funds ("**ETFs**"), exchange traded notes ("**ETNs**"), real estate investment trusts and mutual funds, but may also be invested in equities, fixed income securities and options contracts (i.e., selling covered calls and purchasing puts and calls). WealthSource may also utilize margin and/or engage in short selling in the management of Program accounts. Program clients should be aware that the market value of a client's account and corresponding fee payable by the client to WealthSource is generally increased as a result of the use of leverage and, consequently, a conflict of interest exists when WealthSource recommends the use of margin or short selling to Program clients.

### **Tailoring of Advisory Services**

WealthSource's investment advisory services are tailored to the specific needs of each client. At the outset of each new client relationship, the IAR will ascertain the client's investment objective(s), needs, and risk tolerance and, based on that information, recommend an investment



strategy and asset allocation to the Program client.

All clients, regardless of investment strategy, have the ability to impose reasonable restrictions, at any time, on the securities or types of securities to be held in their portfolios. Restrictions, however, are deemed “unreasonable” (1) if they would interfere with the ability of WealthSource to make investment decisions in a timely manner or (2) if they would compel WealthSource to make investment decisions that would be inconsistent with the client’s investment objectives, time horizon and/or risk tolerance. Any investment restrictions or changes to such restrictions must be provided to WealthSource in writing and signed by the client. Please note that the imposition of one or more investment restrictions could result in investment returns that are less optimal than the investment returns that would have been achieved if no investment restrictions were imposed on WealthSource.

### **Wrap Fee Program Considerations**

With respect to the portfolio management services provided by WealthSource, there is no difference in how WealthSource manages Program accounts and how it manages its other advisory accounts. Clients should be aware that a portion of the Program’s wrap fee paid by the client is retained by WealthSource as compensation for its portfolio management services.

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

Neither WealthSource nor any IAR or other supervised person of WealthSource accepts performance-based advisory fees.

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

#### **Methods of Securities Analysis**

IARs and/or WealthSource may use one or a combination of the following methods of securities analysis, directly or indirectly, as part of their overall investment management discipline:

#### **Fundamental Analysis**

This is a technique that attempts to determine a security’s value by focusing on the underlying factors that affect a company’s actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security’s value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. One of the primary assumptions of fundamental analysis is that the market price for a security does not fully reflect the security’s “real” value. WealthSource may evaluate a combination of qualitative and quantitative factors to identify undervalued securities, based on both macroeconomic factors, such as the overall economy and industry conditions, and company-specific factors such as financial condition and management.

### Technical Analysis

This is a technique that attempts to determine a security's value by developing models and trading rules based on price and volume transformation. Technical analysis assumes that market prices reflect all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act on relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as trends, market participant behaviors, supply and demand and pricing patterns and correlations.

### Cyclical Analysis

This is a technique that analyzes historical relationships between price and market trends, to forecast the direction of prices. WealthSource may use cyclical analysis in conjunction with other strategies to help determine if shifts are required for its clients' investment strategies depending on long and short-term trends in financial markets and the performance of the overall national and global economy.

### Research

IARs have access to various research reports and/or sources as well as model portfolios that they may utilize in determining the investment advice to be given to the client. IARs chooses their own research methods, investment styles and management philosophies. Although WealthSource's Chief Investment Officer and/or Investment Policy Committee may distribute recommendations to IARs on various topics such as asset allocation, individual securities or investment strategies, IARs may elect not to follow those recommendations in providing investment advice to clients. The following are some types of research that may be utilized by WealthSource and/or its IARs in determining the investment advice to be given to a client: Morningstar reports, financial newspapers and magazines (e.g. the Wall Street Journal, Forbes, etc.), annual reports, prospectuses, research materials prepared by others, SEC filings, press releases, corporate rating services, and company websites.

### *Investment Strategies and Transactions*

The primary investment strategies offered by the Program are the Platform Strategies. However, as each IAR determines their own investment styles and management philosophies in providing investment advice to clients, the ultimate availability of an investment strategy as part of the Program, including Platform Strategies, is dependent on the IAR. The following are descriptions of the Platform Strategies, which may be offered through the Program:

## Prudent Allocation Method (“PAM”)

The Prudent Allocation Method utilizes a long-term, strategic, asset-allocation investment methodology that is based on Modern Portfolio Theory’s efficient frontier hypothesis. Currently, there are five different PAM models: PAM Stable Value, PAM Stable Growth, PAM Moderate Growth, PAM Growth and PAM Aggressive Growth. Each PAM model is targeted to a specific risk/return profile and may invest in any of twenty (20) different asset classes, which offer exposure to both domestic and international securities as well as equity, fixed income and alternative investments. In order to determine the most efficient asset allocation mix, PAM utilizes the Capital Asset Pricing Model to evaluate expected returns and volatility of both asset classes and securities. The PAM models are rebalanced quarterly, as needed, and obtain asset class exposure primarily through ETFs and/or mutual funds, but may invest in other types of securities.

## FlexBeta

The FlexBeta models are fully tactical and are comprised of two components: an equity sleeve and a fixed income sleeve. Each FlexBeta model is targeted towards a specific risk tolerance range and primarily invests in ETFs and/or mutual funds to gain desired exposures but may invest in other types of securities.

The equity sleeve is comprised of three components. Approximately 40% of the equity sleeve is invested in a sector rotation model that is generally comprised of four equal-weighted sector-focused positions based on third-party research as to sectors that should be over-weighted. Another 20% is invested in a style factor model that is generally comprised of positions that focus on one or more of the following factors: size, value, quality, minimum volatility and momentum, based on third-party research as to factors that should be over-weighted, under-weighted, or omitted. The remaining 40% of the equity sleeve is invested in a diversification model that is generally comprised of four equal-weighted positions that target investments in commodities, countries, global macroeconomic trends and income generation.

The fixed income sleeve is comprised of three components. Approximately 60% of the fixed income sleeve is invested in positions designed, in aggregate, to replicate a short-term bond ladder where approximately one-fourth of the allocation matures every year. Another 15% of the fixed income sleeve is invested in positions designed to gain exposure to structured products and the remaining 25% is generally invested in U.S. Treasury positions designed to manage the overall duration of the fixed income sleeve. Currently, there are five different FlexBeta models: FlexBeta Stable Value, FlexBeta Stable Growth, FlexBeta Moderate Growth, FlexBeta Growth, and FlexBeta Aggressive Growth.

### Risk of Loss

All investing involves risk of loss, including the possible loss of all amounts invested. No methodology or investment strategy is guaranteed to be successful or profitable. Furthermore, different types of investments involve varying degrees of risk, and it should not be assumed that the future performance of any specific investment or investment strategy, including the investments and/or investment strategies recommended or undertaken by WealthSource, will be profitable or equal any specific performance level(s).

While WealthSource uses tools to try to reduce risk, the risk of loss always exists. In some cases, the amount of potential loss may exceed the amount of principal invested if leveraging tactics, such as margin or short selling, are used in the management of your account. Investing generally works best when we understand your risk tolerance and when you communicate any changes to your investment objectives, needs, risk tolerance, and expectations to us promptly.

A number of material risks associated with WealthSource's investment strategies and the securities used to implement those strategies are set forth below. The following, however, is not meant to be a complete description of risks as WealthSource does not primarily recommend any particular type of security or investment strategy, but rather tailors its recommendations to the needs of its clients.

- Advisory / Management Risk: There is no guarantee that WealthSource's judgment or investment decisions will necessarily produce the intended results. WealthSource's judgment may prove to be incorrect, which could result in clients not achieving their investment objectives.
- Alternative Investments Risk: Alternative investments as well as securities that invest primarily in alternative investments and/or strategies may not be suitable for all investors and involve special risks, such as risks associated with commodities, real estate, leverage, selling securities short, derivatives, structured products and potential illiquidity.
- Credit / Counterparty Risk: Certain securities, such as Exchange-Traded Notes (i.e., ETNs) and structured products (e.g., digital barrier notes, contingent coupon callable yield notes, auto-callable step-up notes), are exposed to the risk that adverse economic events (e.g., bankruptcy or insolvency) may prevent the issuer or counterparty of a security from meeting its financial obligations thus impairing or erasing the value of the security.
- Exchange-Traded Funds: ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread", which generally varies based on the ETF's trading volume and market liquidity. Although many ETFs are registered as investment companies under the Investment Company Act of 1940, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- Foreign Investment Risk: Investments in securities of foreign issuers may involve risks

that include fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments, and reduced legal protections. These risks may be more pronounced for investments in developing countries.

- Frequent Trading Risk: A strategy involving the frequent trading of securities generally results in significantly higher portfolio turnover rates and can negatively affect investment performance due to increased expenses and/or financing charges. In addition, frequent trading is likely to result in short-term capital gains tax treatment.
- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. This effect is typically more pronounced for intermediate and longer-term obligations.
- Liquidity Risk: Due to a lack of demand in the marketplace or other factors, it may not be possible to sell certain securities promptly or it may only be possible to sell certain securities at less than desired prices making it difficult to value the security or sell it in a timely manner at an acceptable price.
- Margin Risk: If the securities in a margin account decline in value, the value of the collateral supporting the margin loan also declines, which could result in a margin call that could (1) force you to sell securities or other assets in the account, (2) result in the broker-dealer selling your securities or other assets without contacting you, and/or (3) result in the broker-dealer moving securities from your other account(s) to your margin account and pledging the transferred securities. Additionally, since you are borrowing funds to purchase securities, you can incur losses greater than the amount of your investment.
- Market Risk: The price of any security, including bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Model Risk: All models utilized in the management of client accounts carry the risk that the model might be based on one or more incorrect assumptions.
- Options Risk: Certain types of options trading may be used to gain long exposure to a security for a specific period of time (i.e., purchasing call options), to offset/hedge a potential market risk in a client's portfolio (i.e., purchasing put options on a security held in the client's account) or to generate income (i.e., selling (writing) covered call options). When writing covered call options, there is the additional risk that you may no longer own the underlying security if it is called away.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Short Selling Risk: When short selling, there is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, wherein the seller might be compelled, at the most disadvantageous time, to replace the borrowed securities

previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

### **Proxy Voting**

WealthSource does not vote client proxies or accept authority to vote client securities. Instead, Program clients will receive proxies and/or other solicitations directly from their account custodian or a transfer agent and maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted. Program clients may contact WealthSource to discuss questions they may have with respect to a particular proxy and/or other solicitation, however, WealthSource is under no responsibility to give any advice on how to vote such proxy.

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

Because WealthSource is both the sponsor and sole portfolio manager of the Program, WealthSource has complete access to all information about all Program clients and IARs have complete access to all information with respect to their Program clients. Furthermore, as IARs are generally the primary recipient of all information submitted by clients to WealthSource, it is generally not necessary for WealthSource to provide updated client information to its IARs.

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

WealthSource does not impose any restrictions on the ability of Program clients to directly contact and/or consult with WealthSource or their IAR.

## **Item 9 – Additional Information**

### **DISCIPLINARY INFORMATION**

Neither WealthSource nor any of its management persons have been the subject of any legal or disciplinary events that are material to an evaluation of WealthSource's advisory business or the integrity of its management.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **Registered Representatives**

IARs, in their individual capacities separate from WealthSource, may be registered representatives of broker-dealers that are unaffiliated with and independent of WealthSource (“**Registered Representatives**”). Registered Representatives may recommend and/or sell certain investment products on a commission basis to clients. WealthSource does not charge any

wrap fees on such investments, does not share in any commission revenue received by Registered Representatives and does not provide any investment advisory services with respect to such investments. The receipt of commission compensation by Registered Representatives, however, creates a conflict of interest as the recommendation to purchase an investment product may have initially resulted from financial planning services provided to the client and may be influenced by the commission compensation to be received, rather than solely on the needs and best interests of the client. WealthSource addresses this conflict of interest by disclosing the conflict in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to use the brokerage services of Registered Representatives.

- Barrett, Evan (CRD No. 5480678) – Fortune Financial Services, Inc. (CRD No. 42150)
- Campbell, Alan (CRD No. 39028) – Fortune Financial Services, Inc.
- Gordon, Eugene (CRD No. 4744448) – Fortune Financial Services, Inc.
- Propst, Joel (CRD No. 2029338) – Fortune Financial Services, Inc.
- Swanson, Kevin (CRD No. 2528342) – APW Capital, Inc. (CRD No. 43814)

### **Insurance Agents and/or Agencies**

IARs, in their individual capacities separate from WealthSource, may be licensed insurance agents (“**Insurance Agents**”) and may recommend and/or sell certain insurance products on a commission basis to clients. WealthSource does not charge any wrap fees on insurance products purchased on a commission basis, does not share in any commission revenue received by Insurance Agents, and does not provide any ongoing investment advisory services with respect to such insurance products. The receipt of commission compensation by Insurance Agents, however, creates a conflict of interest as the recommendation to purchase an insurance product may have initially resulted from financial planning services provided to the client and may be influenced by the commission compensation to be received, rather than solely on the needs and best interests of the client. Additionally, the services of Insurance Agents may be recommended by WealthSource and/or its other non-insurance licensed IARs. As a result of such referrals, Insurance Agents may receive increased compensation creating a potential conflict of interest. WealthSource addresses these conflicts of interest by disclosing them in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to use the services of Insurance Agents or their affiliated Insurance Agencies.

- Insurance Agents
  - Barrett, Evan (CA License #0G12910, NJ License #1180563) – Barrett Wealth & Insurance Solutions
  - Campbell, Alan (CA License #0775396) – Opis Insurance Services, Inc.
  - Gookin, Nicholas (CO License #560191) – Retirement Outfitters, LLC
  - Gordon, Eugene (CA License #0E48642)
  - Guettlein, Victor (CO License #31214)
  - Hazama, Davee (CA License #0C02823)



- Huey, Patrick (WA License #761722, OR License #0008687505)
- Klomsue, Navy (CA License #0F19399, HI License #462839, NV License #3314503)
- Murray, Jeffrey (CO License #399311, CA License #0B20030) – Strategic Planning LLC
- Propst, Joel (CO License #30157, AZ License #718437, HI License #119331, IL License #718437, MI License #0315495, MN License #20253605, NY License #1447006, TX License #915943)
- Ringer, Adolph (CA License #0B34441)
- Smith, Kelly (CA License #0C05923) – WealthSource Insurance Services, LLC
- Sponseller, Paul (FL License #A251152)
- Sullivan, A. Bryan (CA License #0B55578) – WealthSource Insurance Services, LLC
- Swanson, Kevin (CA License #0B59064) – WealthSource Insurance Services, LLC
- Tesch, Robert (CO License #1994)
- Traylor Smith, Barbara (CO License #109486, CA License #0D30497) – Retirement Outfitters, LLC
- Insurance Agencies
  - Barrett Wealth & Insurance Solutions (CA License #0M12259)
  - Opis Insurance Services, Inc. (CA License #0B60885)
  - Retirement Outfitters, LLC (CO License #330954)
  - Strategic Planning LLC (CO License #441939)
  - WealthSource Insurance Services, LLC (CA License #0K70809)

### **Third-Party Investment Managers**

For accounts not participating in the Program, WealthSource may recommend the portfolio management services of unaffiliated Third-Party Investment Managers (“TPIM”), which are registered investment advisers with either the SEC or one or more state securities authorities, on a discretionary or non-discretionary basis to clients. When recommending TPIMs on a non-discretionary basis, WealthSource serves as a solicitor and receives a solicitation fee from the TPIM for its recommendation of the TPIM’s services, which creates a material conflict of interest for WealthSource.

### **Selling Agreement – The Pacific Financial Group, Inc.**

WealthSource has entered into a Selling Agreement with The Pacific Financial Group, Inc. (“TPFG”, CRD No. 105203), a TPIM, pursuant to which WealthSource solicits the participants of retirement plans to become clients of TPFG and makes recommendations to those participants to allocate their self-directed brokerage account assets into managed portfolios and/or mutual funds managed by TPFG. In making investment allocation recommendations pursuant to this



arrangement, plan participants should be aware that WealthSource has a potential conflict of interest when it recommends that participants allocate assets from their core account to their self-directed brokerage account and has a conflict of interest when it recommends that self-directed brokerage account assets be invested in TPFPG's managed portfolios and/or mutual funds. WealthSource addresses these conflicts of interest by providing disclosure of the arrangement and the associated conflicts of interest to clients in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to purchase investments offered by TPFPG.

In addition to the receipt of solicitation fees from TPFPG, TPFPG sponsored WealthSource's 2016 and 2018 Advisor Summits. TPFPG's sponsorship creates an additional conflict of interest for WealthSource because it creates another incentive for WealthSource to recommend TPFPG's services to its clients as such sponsorship and any future sponsorships reduces WealthSource's out-of-pocket costs to host its Advisor Summits. WealthSource addresses these conflicts of interest by providing disclosure of the sponsorship and the associated conflicts of interest to clients in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to purchase investments offered by TPFPG.

#### **Selling Agreement – FormulaFolio Investments, LLC**

WealthSource, through its IARs, may refer clients to FormulaFolio Investments, LLC ("**FormulaFolios**", CRD No. 153467) for investment advisory services. Clients referred to FormulaFolios will have their assets managed according to FormulaFolios' investment process utilizing their proprietary investment strategies and portfolios. For its referral services, WealthSource is entitled to a portion of the investment advisory fees received by FormulaFolios from clients referred by WealthSource, which creates a conflict of interest for WealthSource. WealthSource addresses this conflict of interest by providing disclosure of the arrangement and the associated conflict of interest in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to utilize the investment advisory services of FormulaFolios.

#### **Two Rivers Fiduciary Co.**

WealthSource may recommend the trust, estate, fiduciary, custodial and/or other services of Two Rivers Fiduciary Co. doing business as Two Rivers Trust Co. ("**Two Rivers**"), a Colorado corporation that is a trust service office of The Midwest Trust Company, a Kansas non-depository trust company. Douglas Boyd May, Chief Investment Officer, is an indirect minority owner of Two Rivers and serves as a Director on Two Rivers' Board of Directors. Additionally, WealthSource subleases office space to Two Rivers in Grand Junction, Colorado, and Two Rivers may use WealthSource's investment advisory services for its clients in need of such services. Consequently, potential conflicts of interest exist when WealthSource recommends the services of Two Rivers to its existing or prospective clients. WealthSource addresses these conflicts of interest by disclosing the conflict in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to use the services of Two Rivers.

### **Rohr & Associates CPAs**

Daniel Rohr, IAR, is a Certified Public Accountant and the Managing Shareholder of Rohr & Associates CPAs, an accounting firm that operates out of WealthSource's corporate office in Arroyo Grande, California. Clients of WealthSource assigned to Mr. Rohr may also be clients of Rohr & Associates CPAs and receive tax preparation and planning, bookkeeping, and accounting services, which are separate from WealthSource's investment advisory and financial planning services. Additionally, WealthSource and/or its other IARs may recommend Rohr & Associates CPAs to clients for tax preparation and planning, bookkeeping, and accounting services. Neither WealthSource nor its other IARs receive any fees for such referrals. Mr. Rohr, in his capacity as an IAR, may solicit clients of Rohr & Associates CPAs to become clients of WealthSource. Consequently, a conflict of interest exists when Mr. Rohr solicits his tax and accounting clients to become investment advisory clients of WealthSource as it may result in increased compensation to him. WealthSource addresses this potential conflict of interest by disclosing it and reminding prospective clients that they are not under any obligation to engage the investment advisory services of WealthSource or the tax and accounting services of Rohr & Associates CPAs and that comparable services may be available from other investment advisers and accountants, respectively.

### **Ryan Louis Morelli**

WealthSource has entered into a solicitation arrangement with Ryan Louis Morelli (CRD No. 2968770, CA Ins. License No. 0E44796), a licensed insurance agent in the State of California, pursuant to which Mr. Morelli is compensated by WealthSource for referrals of prospective investment advisory clients. In light of this compensation arrangement, clients should be aware that Mr. Morelli has a conflict of interest when recommending the investment advisory services of WealthSource.

### **Totus Tuus Consulting, Inc.**

WealthSource has entered into a solicitation arrangement with Totus Tuus Consulting, Inc. ("**Totus Tuus**", FL Ins. License No. L083169), a licensed insurance agency in the state of Florida, which is owned and operated by Francis Joseph Benischeck (FL Ins. License No. A018942), a licensed insurance agent in the State of Florida, pursuant to which Totus Tuus is compensated by WealthSource for referrals of prospective investment advisory clients. In light of this compensation arrangement, clients should be aware that Totus Tuus and Mr. Benischeck have a conflict of interest when recommending the investment advisory services of WealthSource.

### **Timberline Bank**

WealthSource has entered into a solicitation arrangement with Timberline Bank ("**Timberline**", FDIC #57857), a Colorado bank regulated by the Federal Deposit Insurance Corporation,

pursuant to which Timberline is compensated by WealthSource for referrals of prospective investment advisory clients. In light of this compensation arrangement, clients should be aware that Timberline has a conflict of interest when recommending the investment advisory services of WealthSource.

**Raymond James Financial, Inc.**

Raymond James Financial, Inc., directly or through one of its subsidiaries (e.g., Raymond James & Associates, Inc. (CRD No. 705) or Raymond James Financial Services, Inc. (CRD No. 6694), collectively, “**Raymond James Financial**”), has provided a transition assistance loan to WealthSource. The terms of the loan allow for forgiveness of the amount borrowed if WealthSource maintains a certain amount of its assets under management in the custody of Raymond James Financial. In the event, however, that required asset levels are not met, WealthSource will be required to repay portions of the transition assistance loan. WealthSource’s receipt of a loan from Raymond James Financial creates a material conflict of interest for WealthSource as it creates an incentive for WealthSource to recommend the custodial and/or brokerage services as well as other proprietary investment and/or banking products and/or services of Raymond James Financial and/or its affiliates to clients over the products and/or services offered by other custodians and/or broker-dealers. WealthSource addresses this conflict of interest by (1) providing disclosure of the conflict in this Wrap Fee Program Brochure, (2) reminding clients that while WealthSource may recommend the custodial and/or brokerage services of Raymond James Financial to you, you may choose a custodian other than Raymond James Financial to maintain custody of your assets under WealthSource’s management and (3) reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products and/or services associated with Raymond James Financial.

**Charles Schwab & Co., Inc.**

Charles Schwab & Co., Inc. (“**Schwab**”, CRD No. 5393): Charles Schwab & Co., Inc. has agreed to provide WealthSource with financial assistance to pay for technology, marketing and research-related expenses that have been incurred by WealthSource. The amount of financial assistance granted to WealthSource is dependent on the amount of net new assets that are placed in Schwab’s custody between March 27, 2018 and March 27, 2019, which are under WealthSource’s management. WealthSource’s receipt of financial assistance from Schwab creates a material conflict of interest for WealthSource as it creates an incentive for WealthSource to recommend the custodial and/or brokerage services as well as other proprietary investment and/or banking products and/or services of Schwab and/or its affiliates over the products and/or services offered by other custodians and/or broker-dealers who have not provided or offered to provide financial assistance to WealthSource. Please note that technology, marketing and research-related expenses paid on behalf of WealthSource by Schwab may not benefit clients and/or may be used for the benefit of all of WealthSource’s clients, including those whose assets were not responsible for the generation of the financial assistance.

WealthSource addresses the conflict of interest created by the receipt of this financial assistance by (1) providing disclosure of the conflict in this Wrap Fee Program Brochure, (2) reminding clients that while WealthSource may recommend the custodial and/or brokerage services of Schwab to you, you may choose a custodian other than Schwab to maintain custody of your assets under WealthSource's management and (3) reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products and/or services associated with Schwab and/or its affiliates.

### **TD Ameritrade, Inc. and TD Bank, N.A.**

TD Ameritrade, Inc. ("TDA", CRD No. 7870) and its affiliate, TD Bank, N.A. ("TD Bank"), sponsored WealthSource's 2018 Advisor Summit, which creates a conflict of interest for WealthSource because it creates an incentive for WealthSource to recommend the custodial and brokerage services as well as other proprietary investment and/or banking products and/or services of TDA, TD Bank and/or their affiliates to clients. WealthSource addresses these conflicts of interest by (1) providing disclosure of the sponsorship and the associated conflicts of interest to clients in this Wrap Fee Program Brochure, (2) reminding clients that while WealthSource may recommend the custodial and/or brokerage services of TDA to you, you may choose a custodian other than TDA or TD Bank to maintain custody of your assets under WealthSource's management and (3) reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products and/or services associated with TDA, TD Bank and/or their affiliates.

### **2018 WealthSource Advisor Summit Sponsors**

In September of 2018, WealthSource held its most recent Advisor Summit for its IARs. Various financial industry participants sponsored the Advisor Summit in the form of cash payments or expense reimbursements to WealthSource. In turn, all Advisor Summit Sponsors were given the opportunity to advertise at the Advisor Summit and meet with IARs face to face and, depending on sponsorship level, present for a segment of the Advisor Summit. The majority of sponsors were investment advisers to or underwriters/distributors of mutual funds and/or exchange-traded funds, which may be recommended to clients and/or utilized in the investment management of client accounts. In addition to those investment products, many of the Advisor Summit Sponsors and/or their affiliates offer other proprietary investment products and/or services, which may also be recommended to clients and/or utilized in the investment management of client accounts. Consequently, WealthSource's receipt of sponsorships creates a conflict of interest for WealthSource because it creates an incentive for WealthSource to recommend to clients (1) the proprietary investment products and/or services of the Advisor Summit Sponsors or their affiliates and (2) any non-proprietary investment products that Advisor Summit Sponsors or their affiliates serve as the investment adviser, underwriter or distributor to. WealthSource addresses these conflicts of interest by providing disclosure of these sponsorships and the associated

conflicts of interest to clients in this Wrap Fee Program Brochure and reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products and/or services associated with Advisor Summit Sponsors or their affiliates. The 2018 Advisor Summit Sponsors were:

- ALPS Portfolio Solutions Distributor, Inc. (CRD No. 144464)
- BlackRock Investments, LLC (CRD No. 38642)
- First Trust Portfolios L.P. (CRD No. 28519) / First Trust Advisors LP (CRD No. 107027)
- Invesco Distributors, Inc. (CRD No. 7369) / Invesco Advisers, Inc. (CRD No. 105360)
- Orion Advisor Services, LLC
- Select Sector SPDRs
- TD Ameritrade, Inc. (CRD No. 7870)
- TD Bank
- The Pacific Financial Group, Inc. (CRD No. 105203)
- Van Eck Securities Corporation (CRD No. 2269)

## CODE OF ETHICS

WealthSource maintains a Code of Ethics that includes (1) standards of business conduct that all of our supervised persons are expected to adhere to; (2) a prohibition on insider trading; (3) provisions relating to the receipt and giving of gifts, and (4) policies and procedures requiring the periodic reporting of personal securities transactions and holdings. *As our client or prospective client you are entitled to a copy of our Code of Ethics upon request. You may request a copy by contacting us at (805) 546-1000.*

WealthSource and/or its supervised persons may buy or sell securities that are also held by or recommended to clients and may occasionally trade in securities in a personal account, at or about the same time that WealthSource trades in the same security, or a related security, for a client account. This may create potential conflicts of interest because WealthSource and/or its IAR(s) (1) may have an incentive not to recommend the sale of those securities to clients in order to protect the value of a personal investment (2) may have an incentive to recommend the purchase of those securities to clients in order to immediately sell it at a profit in a personal account upon the rise in market price (i.e., scalping) and (3) may have an incentive to place personal investment orders before those of clients in order to obtain a better price and/or otherwise materially benefit from the purchase or sale of those securities (i.e., front run). When engaging in personal trading, we believe that our clients' interests should come first and our supervised persons are reminded of WealthSource's fiduciary duty and their obligation to comply with WealthSource's standards of business conduct. Additionally, WealthSource monitors the personal securities transactions and holdings of its access persons for any activity that may indicate a violation of WealthSource's Code of Ethics.

## REVIEW OF ACCOUNTS

Account reviews are conducted by the Program client's IAR, generally quarterly, but no less frequently than annually. Account reviews are performed to assess the client's progress toward their investment objectives and to determine whether any changes with respect to the investment management of the client's account are warranted in light of the client's financial situation, risk tolerance and investment objectives. Program clients, however, are advised that it is your responsibility to promptly notify WealthSource if there are ever any changes to your financial situation, goals, needs or investment objectives.

Account reviews may also be conducted by the client's IAR on an ad hoc basis upon the occurrence of a triggering event, such as a change in a client's financial situation (e.g., retirement, termination of employment, physical move, inheritance) or investment objectives; the occurrence of material market, economic or political events; or at the client's request.

Clients may be provided with written quarterly performance reports that contain holdings information, beginning and ending market values, asset allocation information by sector and asset class, and performance return information. Written quarterly performance reports are provided for client convenience only and should not be relied on for tax purposes. Clients should rely on their custodial account statements as the official record of their account(s).

## CLIENT REFERRALS AND OTHER COMPENSATION

### Support Services and/or Products

Schwab, TDA and Raymond James & Associates, Inc. ("**Raymond James**") make available to us, without cost and/or at a discount, support services and/or products, some of which assist WealthSource in better monitoring and servicing client accounts, but some of which benefit WealthSource without directly benefiting clients or their account(s). Included within the support services that may be obtained by WealthSource may be investment-related research, both proprietary and that of third parties; pricing information and market data; software and other technology (e.g., Schwab PortfolioCenter, MoneyGuidePro) that provide access to client account data and/or assist in creating client reports; compliance and/or practice management-related publications; discounted or free consulting services; discounted or free attendance at conferences, meetings, and other educational and/or social events, which may include full coverage of travel expenses to such events; marketing support; computer hardware and/or software and/or other products used by WealthSource in furtherance of its investment advisory business. Program clients should be aware that WealthSource may use support services and/or products from Schwab, TDA and/or Raymond James to service and/or otherwise benefit all or a substantial number of WealthSource's clients, including clients whose accounts are held in custody at a broker-dealer other than the one providing the product or service.

As all brokerage commissions and transaction fees for Program accounts are paid by WealthSource, Program clients do not pay more for executing transactions as a result of



WealthSource's receipt of support services and/or products. Furthermore, WealthSource has not committed to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products with or through the firms noted above as a result of any existing arrangement, but is generally expected to maintain or commit to maintaining a certain amount of its assets under management in accounts that are in the custody of the broker-dealer custodian providing the product(s) and/or service(s). The availability of the services and/or products noted above benefit WealthSource because we do not have to produce or purchase them. Consequently, clients should be aware that the receipt of support services and/or products by WealthSource and/or our related persons from Schwab, TDA and/or Raymond James in and of itself creates a potential conflict of interest as it creates an incentive for WealthSource to recommend the custodial and brokerage services of Schwab, TDA and/or Raymond James over other broker-dealers.

### **Loans**

Raymond James Financial has provided a transition assistance loan to WealthSource that requires that WealthSource maintain a certain amount of its assets under management in the custody of Raymond James Financial. WealthSource's receipt of such loan from Raymond James Financial creates a material conflict of interest for WealthSource as it creates an incentive for WealthSource to recommend the custodial and/or brokerage services of Raymond James Financial over those of other custodians and/or broker-dealers who (1) have not lent money to WealthSource or (2) have not offered to lend money to WealthSource on terms as favorable as those offered by Raymond James Financial.

### **Financial Support**

Schwab has agreed to provide WealthSource with financial assistance to pay for a portion of WealthSource's technology, marketing and research-related expenses depending on the amount of net new assets of WealthSource's clients that are placed in Schwab's custody between March 27, 2018 and March 27, 2019. WealthSource's receipt of financial assistance from Schwab creates a material conflict of interest for WealthSource as it creates an incentive for WealthSource to recommend the custodial and/or brokerage services of Schwab over those of other custodians and/or broker-dealers.

### **Advisor Summit Sponsorships**

TDA and its affiliate, TD Bank, were both cash sponsors of WealthSource's 2018 Advisor Summit, which creates a material conflict of interest for WealthSource because it reduces WealthSource's out-of-pocket costs to host its Advisor Summit and thus creates an incentive for WealthSource to recommend the custodial and/or brokerage services of TDA over those of other custodians and/or broker-dealers.

### **Solicitation Fees Paid by WealthSource**

WealthSource utilizes the solicitation services of Ryan Louis Morelli (CRD No. 2968770), a licensed insurance agent with the state of California (CA Ins. License No. 0E44796), Totus Tuus Consulting, Inc., a licensed insurance agency with the state of Florida (FL Ins. License No. L083169) and Timberline Bank (FDIC #57857), a Colorado bank regulated by the Federal Deposit Insurance Corporation. Pursuant to their separate arrangements with WealthSource, they refer prospective investment advisory clients to WealthSource and, in return, receive a percentage of the investment advisory fees received by WealthSource from those clients. In light of these compensation arrangements, clients should be aware that these solicitors have a material conflict of interest when recommending the investment advisory services of WealthSource. Clients who are recommended the investment advisory services of WealthSource by these solicitors should receive a copy of their respective Solicitors Disclosure Document in addition to this Wrap Fee Program Brochure, which contains important information about his or its solicitation arrangement with WealthSource that should be read carefully.

### **FINANCIAL INFORMATION**

WealthSource is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.