

**Part 2A of Form ADV  
Firm Brochure**

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**WealthStar Advisors, LLC**

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This brochure provides information about the qualifications and business practices of WealthStar Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (972) 372-2935 or by email to [jdallmann@wealthstaradvisors.com](mailto:jdallmann@wealthstaradvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about WealthStar Advisors, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Since our last annual amendment filing, we have the following material changes to report:

- Our firm has increased our maximum fixed fee rate for our Standalone Financial Planning Services from \$10,000 to \$12,000. Please see Item 5 of this Brochure for more information.
- Our firm now utilizes the sub-advisory services of a third-party investment advisory firm or individual advisor for our Portfolio Management Service to aid in the implementation of an investment portfolio. Please see Item 4.A.1. of our Wrap Brochure for more information.
- Our firm has amended Item 14 of this Brochure to disclose the conflicts of interest associated with an arrangement we have with outside insurance brokerages, in which our firm's registered employees may receive additional compensation for referrals. Please see Item 14 of this Brochure for more information.

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## **Item 4: Advisory Business**

### **A. Description of Your Advisory Firm**

WealthStar Advisors, LLC ("WSA" and/or "the firm"), is a limited liability company organized in the state of Texas. The firm was formed in December 2010, registered as an investment advisor in 2013, and the principal owners are Jeffrey Robert Wolf, Scott Alan Stockton, and Erik "Lloyd" Wyse.

### **B. Description of Advisory Services Offered**

WSA is an independent asset management and financial planning firm offering a variety of financial services to individuals and high-net worth individuals.

#### **B.1. Portfolio Management Services**

WSA offers its portfolio management services solely on a wrap fee basis. For details on these services, including fees, please refer to Appendix 1: WealthStar Advisors, LLC, Wrap Fee Program Brochure.

#### **B.2. 401(k) Plan Participant Advisory Services**

WSA offers discretionary and non-discretionary advisory services to 401(k) plan participants. Advisory services are based on the individual goals, objectives, time horizon, and risk tolerance of each client. Portfolio management services include, but are not limited to, the following:

- Asset allocation
- Asset selection
- Risk tolerance
- Regular portfolio monitoring

#### **B.3. Financial Planning Services**

WSA's financial planning services may include, but are not limited to, investment planning, life insurance, tax concerns, retirement planning, college planning, and debt/credit planning. Clients will receive a written report providing a comprehensive financial plan designed to help achieve their stated financial goals and objectives.

WSA gathers required information through in-depth personal interviews and questionnaires. Information gathered includes a client's current financial status, investment objectives, future goals, and attitudes toward risk. Related documents supplied by the client are carefully reviewed, and a report is prepared covering one or more of the above-mentioned topics as directed by the client.

## C. Client-Tailored Services and Client-Imposed Restrictions

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## D. Wrap Fee Programs

WSA sponsors a wrap fee program, where services are offered for one all-inclusive fee. WSA does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to WSA as a management fee. Clients may be assessed commissions on client-directed trades, on transactions from previously held positions that transferred in, or in account registrations that are not eligible for wrap services (i.e. certain retirement accounts like self-directed brokerage 401k's). WSA generally offers the wrap fee program to all clients except 401k plan participants and/or annuity owners where WSA cannot pay the transaction fees. For information on this program, please refer to Appendix 1: WealthStar Advisors, LLC, Wrap Fee Program Brochure.

## E. Client Assets Under Management

As of December 31, 2023, WSA has \$671,459,524 in discretionary assets under management.

# Item 5: Fees and Compensation

## A. Methods of Compensation and Fee Schedule

### A.1. Portfolio Management Fees

WSA offers its portfolio management services solely on a wrap fee basis. For details on these services, including fees, please refer to Appendix 1: WealthStar Advisors, LLC, Wrap Fee Program Brochure.

### A.2. Fees for Annuity and 401(k) Plan Participant Advisory Services

WSA's fee for monitoring the mutual fund sub-accounts of annuities and 401(k) plan participant advisory services is an asset-based fee calculated as a percentage of the value of the managed assets, according to the following fee schedule, which represents the advisor's maximum fees for individual services. These fees are negotiable.

<b><u>Total Assets Under Management</u></b>	<b><u>Annual Fee Rate</u></b>
All Assets Under Management	1.50%

Asset-based fees are always subject to the investment advisory agreement between the client and WSA. Such fees are payable monthly in advance. Fees will not be prorated if the investment

advisory relationship commences otherwise than at the beginning of a calendar month. Adjustments for contributions or withdrawals to a client's portfolio will not be prorated for the month in which the change occurs.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due, with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, the fees will be rejected and carried over to the following month to be paid when there is sufficient cash in the account. In this instance, account values will not be reduced by the rejected fee amount and will result in the client paying higher fees in subsequent months.

In certain circumstances the custodian may restrict a client account for reasons such as an incorrect address, abandoned account, potential fraud, etc. In the event the custodian restricts an account, the fees will be rejected and carried over to the following month to be paid when the restriction(s) is removed. In this instance, account values will not be reduced by the rejected fee amount and will result in the client paying higher fees in subsequent months.

To the extent the client has a non-qualified account with the firm, WSA will receive authorization to deduct the fee for the 401(k) and/or annuity advisory services from that account. If the client does not have another account with the firm, WSA will send an invoice to the plan participant and/or annuity owner monthly in advance.

A client may request "no service" at any time in writing or by email effective within 30 days stating the specific accounts they wish to have removed from firm management. Once the firm receives the request they will promptly be removed as an authorized advisor on the accounts and no prorated or full fee refunds will be processed. If a client transfers accounts away from the firm but does not request "no service", the firm will continue to monitor assets still under management and continue to fee bill until the accounts are closed. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **A.3. Financial Planning Fees**

#### **A.3.a. Fixed Fee Arrangements**

Depending upon the complexity of the situation and the needs of the client, the fixed fee rate for creating client financial plans is between \$400 and \$12,000. Fees are paid monthly in advance, but never more than six months in advance.

Fixed fees are negotiable, and the final fee schedule will be attached as Exhibit A of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the contract.

#### **A.3.b. Hourly Arrangements**

Depending upon the complexity of the situation and the needs of the client, the hourly fee rate for financial planning services is between \$100 and \$350. Hourly arrangements will be billed monthly in arrears.

Hourly fees are negotiable, and the final fee schedule will be attached as Exhibit A of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the contract.

## **B. Client Payment of Fees**

### **B.1. 401(k) Plan Participant Advisory Services Fees**

To the extent the client has another account with the firm, WSA will receive authorization to deduct the fee for the 401(k) advisory services from that non-qualified account.

If the client does not have another account with the firm, WSA will send an invoice to the plan participant monthly in advance.

WSA generally requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

WSA will deduct its advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **B.2. Financial Planning Fees**

#### **B.2.a. Fixed Fee Arrangements**

Fixed financial planning fees will be billed monthly in advance. If a fixed fee Wealth Management and Consulting Agreement is terminated, fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

#### **B.2.b. Hourly Arrangements**

Hourly financial planning fees will be billed monthly in arrears. If an hourly fee Wealth Management and Consulting Agreement is terminated by the client, all services provided to the point of termination but not yet billed will be immediately due and payable. In the event of non-payment of fees, WSA reserves the right to deduct fees from the client's non-qualified account or to liquidate securities in an amount equal to the balance of unpaid fees.

## **C. Additional Client Fees Charged**

In addition to the advisory fee charged by WSA, Clients may pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses),

mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

A client using WSA may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. Prepayment of Client Fees**

### **D.1. 401(k) Plan Participant Advisory Services Fees**

WSA generally requires 401(k) plan participant advisory services fees to be prepaid on a monthly basis. WSA's fees will either be paid directly by the client or disbursed to WSA by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled by either party with 30 days' prior written notice to the client. A client may request "no service" at any time in writing or by email effective within 30 days stating the specific accounts they wish to have removed from firm management. Once the firm receives the request they will promptly be removed as an authorized advisor on the accounts and no prorated or full fee refunds will be processed. If a client transfers accounts away from the firm but does not request "no service", the firm will continue to monitor assets still under management and continue to fee bill until the accounts are closed. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **D.2. Financial Planning Fees**

#### **D.2.a. Fixed Fee Arrangements**

Fixed financial planning fees will be billed monthly in advance. If a fixed fee Wealth Management and Consulting Agreement is terminated, fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

#### **D.2.b. Hourly Fee Arrangements**

Hourly financial planning fees will be billed monthly in arrears. No prepayment is required.

## **E. External Compensation for the Sale of Securities to Clients**

WSA's advisory professionals are compensated primarily through a percentage of the revenue they generate on behalf of the firm. WSA's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.



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

WSA does not charge performance-based fees.

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

WSA generally provides investment advice and/or management supervisory services to the following types of clients:

- Individuals
- High-net-worth individuals
- Small business owners

Our firm does not impose requirements for opening and maintaining accounts or otherwise engaging us.

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

### **A. Methods of Analysis and Investment Strategies**

WSA uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

WSA and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.

- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, WSA reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. WSA may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

### **A.1. Exchange-Traded Funds, Individual and Fixed Income Securities**

WSA may recommend exchange-traded funds (ETFs), and individual securities (including fixed income instruments).

A description of the criteria to be used in formulating an investment recommendation for ETFs and individual securities is set forth below.

WSA has formed relationships with third-party vendors that

- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

WSA may utilize additional independent third parties to assist it in recommending and monitoring individual securities and mutual funds to clients as appropriate under the circumstances.

### **A.2. Material Risks of Investment Instruments**

WSA typically invests in open-end mutual funds, exchange-traded funds, individual securities, and options for the vast majority of its clients. WSA may also effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Business Development Companies
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Corporate debt obligations
- Real Estate Investment Trusts ("REITs")
- Variable Annuities

#### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery

process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.2.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance.

Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.2.f. Business Development Companies**

Business Development Companies are companies that lend to new, thinly traded and often distressed companies with poor credit ratings. Investing in Business Development Companies carries inherent risks including a lack of liquidity on a secondary market, credit risks and the frequency and amount of distributions is not guaranteed.

#### **A.2.g. Corporate Debt, Commercial Paper and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.h. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.i. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.j. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors.

The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.2.k. Non-Traded Real Estate Investment Trusts ("REITs")**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate.

Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes.

In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers which are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships which do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not

related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor, however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

#### **A.2.I. Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

## **B. Investment Strategy and Method of Analysis Material Risks**

In addition to long term holdings, WSA may utilize short-term trading, and options writing (including covered options, uncovered options, or spreading strategies). Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Short-Term Trading**

WSA may engage in short-term trading. There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.2 Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

WSA as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Equity Collar
- Long Straddle
- Long Strangle
- Short Straddle
- Short Strangle
- Purchasing LEAPS

#### **B.2.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.2.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.2.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.2.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price.

In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread.

There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **B.2.e. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

#### **B.2.f. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date, and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

Maximum profit is unlimited. Maximum loss is limited to premiums paid for purchasing both types of options. Time decay has a negative effect. High volatility has a positive effect. Low volatility has a negative effect.

#### **B.2.g. Long Strangle**

The long strangle, also known as buy strangle or simply “strangle,” is a neutral strategy in options trading that involves the simultaneous buying of a slightly out-of-the-money put and a slightly out-of-the-money call of the same underlying stock and expiration date. The long options strangle is an unlimited profit, limited risk strategy that is taken when the options trader thinks that the underlying stock will experience significant volatility in the near term. Long strangles are debit spreads as a net debit is taken to enter the trade. Maximum profit is unlimited.

Maximum loss is limited (to premiums paid for purchasing both types of options). Time decay has a negative effect. High volatility has a positive effect. Low volatility has a negative effect.

#### **B.2.h. Short Straddle**

The short straddle, also known as a sell straddle or naked straddle sale, is a neutral options strategy that involves the simultaneous selling of a put and a call of the same underlying security, strike price, and expiration date.



Short straddles are limited profit, unlimited risk options trading strategies that are used when the options trader thinks that the underlying securities will experience little volatility in the near term.

Maximum profit is limited (to premiums received for writing both types of options). Maximum loss is unlimited. Time decay has a positive effect. High volatility has a negative effect. Low volatility has a positive effect.

#### **B.2.i. Short Strangle**

The short strangle, also known as sell strangle, is a neutral strategy in options trading that involves the simultaneous selling of a slightly out-of-the-money put and a slightly out-of-the-money call of the same underlying stock and expiration date. The short strangle option strategy is a limited profit, unlimited risk options trading strategy that is taken when the options trader thinks that the underlying stock will experience little volatility in the near term. Short strangles are credit spreads as a net credit is taken to enter the trade.

Maximum profit is limited (to premiums received for writing both types of options). Maximum loss is unlimited. Time decay has a positive effect. High volatility has a negative effect. Low volatility has a positive effect.

#### **B.2.j. Purchasing LEAPS**

LEAPS are publicly traded options contracts with expiration dates that are longer than one year. Structurally, LEAPS are no different than short-term options, but the later expiration dates offer the opportunity for long-term investors to gain exposure to prolonged price changes without needing to use a combination of shorter-term option contracts. The premiums for LEAPS are higher than for standard options in the same stock because the increased expiration date gives the underlying asset more time to make a substantial move and for the investor to make a healthy profit.

Please note that LEAPS (i) are long-term options with a fixed duration, (ii) are not equity securities, (iii) involve a higher level of account activity and transaction costs, (iv) may result in the investor losing their entire investment in such LEAPS, and (v) do not pay dividends.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither WSA nor its affiliates are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither WSA nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Insurance Sales**

Certain managers, members, and registered employees of WSA are licensed insurance agents. With respect to the provision of financial planning services, WSA professionals may recommend insurance products and receive a commission for doing so. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance products in which the firm or its professionals receive a commission. Please also be advised that WSA strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

#### **C.2. Participation in Client Events**

Financial industry affiliates sponsor events hosted by WSA. All compensation received is used to facilitate client attendance. In no instance will any contributions to these events be used for any other purpose.

Clients are not enrolled or solicited for any of products offered by event sponsors unless it is applicable to their investment strategy. The companies sponsoring our events do not receive any preferential treatment.

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

WSA does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

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

#### **A. Code of Ethics Description**

In accordance with the Advisers Act, WSA has adopted policies and procedures designed to detect and prevent insider trading. In addition, WSA has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of WSA's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of WSA. WSA will send clients a copy of its Code of Ethics upon written request.

WSA has policies and procedures in place to ensure that the interests of its clients are given preference over those of WSA, its affiliates and its employees.

For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

#### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

WSA does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, WSA does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

#### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

WSA, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which WSA specifically prohibits. WSA has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow WSA's procedures when purchasing or selling the same securities purchased or sold for the client.

## **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

WSA, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other WSA clients. WSA will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of WSA to place the clients' interests above those of WSA and its employees.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Broker-Dealers for Client Transactions**

#### **A.1. Custodian Recommendations**

WSA considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

WSA may recommend that clients establish brokerage accounts with Fidelity Institutional Wealth Services ("Fidelity"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although WSA may recommend that clients establish accounts at Fidelity, it is the client's decision to custody assets with the custodian. WSA is independently owned and operated and not affiliated with Fidelity. For WSA client accounts maintained in its custody, Fidelity generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts.

In certain instances and subject to approval by WSA, WSA will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by WSA will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

Fidelity may charge "trade away" fees to the client for allowing a third party to effect trades in the account, which may potentially result in a higher cost of the transaction for the client. We will only use a third party if we determine in good faith that the additional "trade away" fees are reasonable in relation to the value obtained by placing the trade through the third-party broker.

#### **A.1.a. Soft Dollar Arrangements**

WSA does not utilize soft dollar arrangements. WSA does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.b. Institutional Trading and Custody Services**

Fidelity provides WSA with access to its institutional trading and custody services, which are typically not available to Fidelity's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at Fidelity. These services are not contingent upon WSA committing to Fidelity any specific amount of business (assets in custody or trading commissions). Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.c. Other Products and Services**

Fidelity also makes available to WSA other products and services that benefit WSA but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of WSA's accounts, including accounts not maintained at Fidelity. Fidelity may also make available to WSA software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of WSA's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

Fidelity may also offer other services intended to help WSA manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

Fidelity may also provide other benefits such as educational events or occasional business entertainment of WSA personnel.

In evaluating whether to recommend that clients custody their assets at Fidelity, WSA may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by Fidelity, which may create a potential conflict of interest.

#### **A.1.d. Independent Third Parties**

Fidelity may make available, arrange, and/or pay third-party vendors for the types of services rendered to WSA. Fidelity may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to WSA.

#### **A.1.e. Additional Compensation Received from Custodians**

WSA may participate in institutional customer programs sponsored by broker-dealers or custodians. WSA may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between WSA's participation in such programs and the investment advice it gives to its clients, although WSA receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving WSA participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to WSA by third-party vendors

The custodian may also pay for business consulting and professional services received by WSA's related persons, and may pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses for WSA's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit WSA but may not benefit its client accounts. These products or services may assist WSA in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help WSA manage and further develop its business enterprise.

The benefits received by WSA or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

As part of its fiduciary duties to clients, WSA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by WSA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence WSA's recommendation of broker-dealers such as Fidelity for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

WSA does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. WSA Recommendations**

WSA typically recommends Fidelity as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

WSA, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. WSA recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. WSA will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future

- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, WSA seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of WSA's knowledge, these custodians provide high-quality execution, and WSA's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, WSA believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since WSA may be managing accounts with similar investment objectives, WSA may aggregate orders for securities for such accounts.

In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by WSA in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

WSA's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. WSA will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

WSA's advice to certain clients and entities and the action of WSA for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances.

Thus, any action of WSA with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of WSA to or on behalf of other clients.

## **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading



day may be aggregated with any previously unfilled orders. All clients participating in each aggregated order will pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if WSA believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

WSA acts in accordance with its duty to seek best price and execution and will not continue any arrangements if WSA determines that such arrangements are no longer in the best interest of its clients.

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

#### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by WSA's investment adviser representatives servicing the account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

Financial planning clients receive their financial plans and recommendations at the time service is completed. Periodic review of a financial plan may be available upon request by the client at no charge and to the extent of services selected in the Wealth Management and Consulting Agreement.

#### **B. Review of Client Accounts on Non-Periodic Basis**

WSA may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how WSA formulates investment advice.

## **C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by WSA.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Except for the arrangements outlined in Item 12 of Form ADV Part 2A, our firm has no additional arrangements to disclose.

### **B. Advisory Firm Payments for Client Referrals**

WSA does not pay for client referrals. However, certain registered employees of WSA participate in a referral arrangement in which they may refer the advisory client to an insurance brokerage where the advisory client may be sold insurance policies, with our registered employees receiving a referral fee for such arrangement. Please be advised that there is a conflict of interest in that there is an economic incentive to recommend insurance products in which the firm or its professionals receive additional compensation through a referral fee. Please also be advised that WSA strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

## **Item 15: Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by WSA to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguarding procedures in conjunction with our custodian, Fidelity:

- Fidelity's forms, used to establish a standing letter of authorization, include the name and account number on the receiving account and must be signed by the client.

- Fidelity's SLOA forms currently require client's signature.
- Fidelity performs verification on all SLOA forms and sends a transfer of notice to the client promptly following the transaction.
- Clients always have the ability to terminate (or amend) an SLOA in writing.
- Our firm has no authority, or ability, to amend the third party designated on a standing instruction.
- Our firm maintains records showing the third party is not a related party of our firm or located at our firm.
- Fidelity notifies the client in writing when a new standing instruction is set up. Clients also receive an annual mailing reconfirming the existence of the standing instruction.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to WSA with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form.

In those cases, WSA will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

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

WSA does not take discretion with respect to voting proxies on behalf of its clients. WSA will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election, or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of WSA supervised and/or managed assets. In no event will WSA take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, WSA will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. WSA has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. WSA also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, WSA has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where WSA receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other

materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

WSA does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

WSA does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.

**Appendix 1 of Part 2A**  
**WealthStar Advisors, LLC, Wrap Fee Program Brochure**  
February 2024

**WealthStar Advisors, LLC**

SEC File No. 801-79121

CRD# 164957

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This wrap fee program brochure provides information about the qualifications and business practices of WealthStar Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 972-372-2935 or by email to [jdallmann@wealthstaradvisors.com](mailto:jdallmann@wealthstaradvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about WealthStar Advisors, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Since our last annual amendment filing, we have the following material changes to disclose:

- Our firm has increased our maximum fixed fee rate for our Standalone Financial Planning Services from \$10,000 to \$12,000. Please see Item 5 of our Firm Brochure for more information.
- Our firm now utilizes the sub-advisory services of a third-party investment advisory firm or individual advisor for our Portfolio Management Service to aid in the implementation of an investment portfolio. Please see Item 4.A.1. of this Wrap Brochure for more information.
- Our firm has amended Item 9 of this Brochure to disclose the conflicts of interest associated with an arrangement we have with outside insurance brokerages, in which our firm's registered employees may receive additional compensation for referrals. Please see Item 9 of this Brochure for more information.

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

### **A. Description of Your Advisory Firm**

WealthStar Advisors, LLC ("WSA" and/or "the firm"), is a limited liability company organized in the state of Texas. The firm was formed in December 2010, and the principal owners are Jeffrey Robert Wolf, Scott Alan Stockton, and Erik Wyse.

#### **A.1. Description of Advisory Services Offered**

WSA offers its portfolio management services exclusively as a wrap fee program sponsored by WSA.

WSA's portfolio management services are based on the individual goals, objectives, time horizon, and risk tolerance of each client. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Personal investment policy
- Asset allocation
- Asset selection
- Risk tolerance
- Regular portfolio monitoring

WSA will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. For its discretionary portfolio management services, WSA will receive a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 6.C. of this brochure.

WSA will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. Risk tolerance levels are documented in the investor profile questionnaire, which is given to each client. WSA may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, WSA may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

WealthStar Advisors uses a proprietary investment strategy with many of its clients called Equity Substitution Strategy, or ESS. The strategy attempts to earn equity rates of return while limiting portfolio exposure to the volatility of equity markets. This is accomplished by investing a small portion of the portfolio in long-term options contracts on an S&P 500 index ETF. For those clients who are not qualified or not able to invest in the options contracts a triple leveraged ETF is used in place.



The remainder of the portfolio is invested in investment grade corporate bonds with maturities limited to less than 10 years, various bond ETFs, and/or other fixed income vehicles.

In addition to providing WSA with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, WSA's reports to clients will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. WSA will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

Our firm utilizes the sub-advisory services of a third-party investment advisory firm or individual advisor to aid in the implementation of an investment portfolio designed by our firm. Before selecting a firm or individual, our firm will ensure that the chosen party is properly licensed or registered. Our firm will not offer advice on any specific securities or other investments in connection with this service. We will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a third-party money manager, our firm will gather client information pertaining to their financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

## **A.2. Fees and Compensation**

WSA's annual advisory fee for assets managed in the wrap fee program is an asset-based fee calculated as a percentage of the value of the managed assets not to exceed 2.00%. Fees are negotiable and shall be charged monthly in advance and shall be detailed in the executed advisory agreement. No adjustments are made for account credits or withdrawals until the following month. Unless otherwise agreed to in writing, advisory fees shall be assessed on cash and cash equivalents.

WSA's advisory fee includes charges for all transaction costs, such as commissions on purchases and sales of securities, and trade-away fees. Except as otherwise provided below, the client will incur no charges other than advisor's fee in connection with maintenance of and activity in the client's account. The wrap fee does not include management, administrative, and marketing fees and expenses for mutual and exchange-traded funds, and custodian-imposed charges for REIT/Alternative Investments. Clients may be assessed commissions on client-directed trades, on transactions from previously held positions that transferred in, or in account registrations that are not eligible for wrap services (i.e. certain retirement accounts like self-directed brokerage 401k's).

To the extent securities transactions are affected away from Fidelity, there may be commission mark-ups and mark-downs that the client will pay in addition to the wrap fee.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, the fees will be rejected and carried over to the following month to be paid when there is sufficient cash in the account. In this instance, account values will not be reduced by the rejected fee amount and will result in the client paying higher fees in subsequent months. WSA may modify the fee at any time upon 30 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

In certain circumstances the custodian may restrict a client account for reasons such as an incorrect address, abandoned account, potential fraud, etc. In the event the custodian restricts an account, the fees will be rejected and carried over to the following month to be paid when the restriction(s) is removed. In this instance, account values will not be reduced by the rejected fee amount and will result in the client paying higher fees in subsequent months.

Fees will not be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Adjustments for contributions or withdrawals to a client's portfolio will not be prorated for the month in which the change occurs.

A client may request "no service" at any time in writing or by email effective within 30 days stating the specific accounts they wish to have removed from firm management. Once the firm receives the request they will promptly be removed as an authorized advisor on the accounts and no prorated or full fee refunds will be processed. If a client transfers accounts away from the firm but does not request "no service", the firm will continue to monitor assets still under management and continue to fee bill until the accounts are closed. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **B. Disclosure of Cost Difference if Services Purchased Separately**

Depending on a number of factors, such as the number, size, and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis, either as asset-based fees or transaction-based fees. Bundled fees (where the adviser assumes the cost of processing the trade) generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading costs. Frequent trading in an account where transactions fees are included as part of the overall advisory fee to the client drive trading costs higher and reduce the overall fee revenue to the advisor. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm's profitability.

## **C. Additional Client Fees and Terms of Payment**

### **C.1. Client Payment of Fees**

WSA generally requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

WSA will deduct its advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **C.2. Prepayment of Client Fees**

WSA generally requires portfolio management fees to be prepaid on a monthly basis. WSA's fees will either be paid directly by the client or disbursed to WSA by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled by either party with 30 days' prior written notice. Upon termination, any unearned, prepaid fees will be promptly refunded to the client. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

### **C.3. Additional Fees**

Client will not incur transaction fees for trades executed by their chosen custodian. In addition to the advisory fee outlined above, clients may also pay holdings charges imposed by the chosen custodian for certain investments, charges imposed directly by a mutual fund, index fund, or exchange traded fund, which shall be disclosed in the fund's prospectus (i.e., fund management fees, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

A client using WSA may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) of WSA's Form ADV Part 2A – Firm Brochure for additional information regarding the firm's brokerage practices.

## **D. Compensation for Recommending the WSA Wrap Fee Program**

WSA's suite of services is a proprietary service offering offered to affiliated and unaffiliated investment adviser firms. As such, there are no conflicts of interest in that there are no commissions or referral fees paid to anyone for selling or recommending WSA or any of its services. The firm earns its advisory fees and neither shares in third-party investment manager fees nor shares in any custody fees charged by its clients' custodians.

## **E. External Compensation for the Sale of Securities to Clients**

WSA's advisory professionals are compensated primarily through a percentage of the revenue they generate on behalf of the firm. WSA's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 9.A.2 for detailed information and conflicts of interest.

## **F. Client Assets Under Management**

As of December 31, 2023, WSA has \$671,459,524 in discretionary assets under management.

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

WSA generally provides investment advice and/or management supervisory services to the following types of clients:

- Individuals
- High-net-worth individuals
- Small business owners

Our firm does not impose requirements for opening and maintaining accounts or otherwise engaging us.

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

## **A. Portfolio Manager Selection and Review**

WSA offers its portfolio management services exclusively as a wrap fee program sponsored by WSA. In the context of WSA's wrap fee program, there are no portfolio managers selected. The firm's core advisory services are simply offered in a wrap fee program so the client pays one all-inclusive fee, subject to the disclosures and information contained in this Appendix 1 Wrap Fee Program Brochure.

## **B. Participation in Wrap Fee Programs**

WSA offers its proprietary discretionary asset management services exclusively as a wrap fee program sponsored by WSA. No other managers are selected.

## **C. WSA Acts as Both a Wrap Fee Sponsor and Portfolio Manager**

WSA's proprietary discretionary asset management services are offered exclusively through WSA. Other than offering its proprietary suite of services, WSA does not participate or otherwise manage assets in third-party wrap fee programs.

### **C.1. Proprietary Discretionary Asset Management Services**

WSA offers its portfolio management services exclusively as a wrap fee program sponsored by WSA.

WSA's portfolio management services are based on the individual goals, objectives, time horizon, and risk tolerance of each client. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Personal investment policy
- Asset allocation
- Asset selection
- Risk tolerance
- Regular portfolio monitoring

WSA will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. For its discretionary portfolio management services, WSA will receive a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 6.C. of this brochure.

WSA will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. Risk tolerance levels are documented in the investor profile questionnaire, which is given to each client. WSA may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, WSA may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

In addition to providing WSA with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk.

On a quarterly basis, WSA's reports to clients will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. WSA will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

## **C.2. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **C.3. Management of Wrap Fee Program**

WSA's portfolio management services are offered exclusively through this wrap fee program. Stand-alone financial planning and 401(k) plan participant advisory services are offered outside of the wrap fee program. Please refer to the firm's Part 2A Brochure.

## **C.4. Performance-Based Fees and Side-by-Side Management**

WSA does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in clients' best interests.

## **C.5. Methods of Analysis, Investment Strategies and Risk of Loss**

WSA uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

WSA and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, WSA reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications.

WSA may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

## **C.6. Investment Strategy, Method of Analysis, and Material Risks**

In addition to long term holdings, WSA may utilize equity substitution strategy, short-term trading, and options writing (including covered options, uncovered options, or spreading strategies). Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **C.6.a. Equity Substitution Strategy ("ESS")**

The ESS portfolio strategy is designed to minimize exposure in downward equity cycles while maintaining the potential to participate in upward equity cycles. In general, the strategy consists of having the majority of your portfolio in fixed income investments. This would include individual investment-grade corporate bonds, municipal bonds, fixed income ETFs/mutual funds, real estate investment trusts, and money market funds. The remainder of the portfolio would be allocated to "at-the-money" long-term equity anticipation securities (LEAPS). The concept is that by the time the LEAPS expire, the fixed income portfolio has generated enough income to offset most of the premiums paid for the LEAPS.

Please note that LEAPS (i) are long-term options with a fixed duration, (ii) are not equity securities, (iii) involve a higher level of account activity and transaction costs, (iv) may result in the investor losing their entire investment in such LEAPS, and (v) do not pay dividends.

### **C.6.b. Leverage**

WSA may utilize securities that employ the use of leverage. The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. Additionally, the use of margin leverage entails borrowing, which results in additional interest costs to the investor.

### **C.6.c. Short-Term Trading**

WSA may engage in short-term trading. There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **C.6.d. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio.

There are many differences between an investment in common stock and an investment in options. Unlike common stock, an option has a limited life. An investor can hold common stock indefinitely, while every option has an expiration date. If an investor does not close out or exercise



an option prior to expiration, it ceases to exist as a financial instrument. As a result, even if an option investor correctly picks the direction the underlying stock will move, unless the investor also correctly selects the period that movement will take place, the investor may not profit.

Options investors run the risk of losing their entire investment in a relatively short period and with relatively small movements of the underlying stock. Unlike a purchase of common stock for cash, the purchase of an option involves [leverage](#). Leverage indicates that the value of the option contract generally will fluctuate by a greater percentage than the value of the underlying interest.

For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

WSA as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Equity Collar
- Long Straddle
- Long Strangle
- Short Straddle
- Short Strangle
- Purchasing LEAPs

#### ***C.6.d.1. Covered Call Writing***

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client portfolio.

This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### ***C.6.d.2. Long Call Option Purchases***

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.6.d.3. Long Put Option Purchases***

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the



value of the long-put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.6.d.4. Option Spreading***

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### ***C.6.d.5. Equity Collar***

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

#### ***C.6.d.6. Long Straddle***

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date, and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

Maximum profit is unlimited. Maximum loss is limited to premiums paid for purchasing both types of options. Time decay has a negative effect. High volatility has a positive effect. Low volatility has a negative effect.

#### ***C.6.d.7. Long Strangle***

The long strangle, also known as buy strangle or simply “strangle,” is a neutral strategy in options trading that involves the simultaneous buying of a slightly out-of-the-money put and a slightly out-of-the-money call of the same underlying stock and expiration date. The long options strangle is an unlimited profit, limited risk strategy that is taken when the options trader thinks that the underlying stock will experience significant volatility in the near term. Long strangles are debit spreads as a net debit is taken to enter the trade. Maximum profit is unlimited.

Maximum loss is limited (to premiums paid for purchasing both types of options). Time decay has a negative effect. High volatility has a positive effect. Low volatility has a negative effect.

#### **C.6.d.8. Short Straddle**

The short straddle, also known as a sell straddle or naked straddle sale, is a neutral options strategy that involves the simultaneous selling of a put and a call of the same underlying security, strike price, and expiration date. Short straddles are limited profit, unlimited risk options trading strategies that are used when the options trader thinks that the underlying securities will experience little volatility in the near term.

Maximum profit is limited (to premiums received for writing both types of options). Maximum loss is unlimited. Time decay has a positive effect. High volatility has a negative effect. Low volatility has a positive effect.

#### **C.6.d.9. Short Strangle**

The short strangle, also known as sell strangle, is a neutral strategy in options trading that involves the simultaneous selling of a slightly out-of-the-money put and a slightly out-of-the-money call of the same underlying stock and expiration date. The short strangle option strategy is a limited profit, unlimited risk options trading strategy that is taken when the options trader thinks that the underlying stock will experience little volatility in the near term. Short strangles are credit spreads as a net credit is taken to enter the trade.

Maximum profit is limited (to premiums received for writing both types of options). Maximum loss is unlimited. Time decay has a positive effect. High volatility has a negative effect. Low volatility has a positive effect.

#### **C.6.d.10. Purchasing LEAPS**

LEAPS are publicly traded options contracts with expiration dates that are longer than one year. Structurally, LEAPS are no different than short-term options, but the later expiration dates offer the opportunity for long-term investors to gain exposure to prolonged price changes without needing to use a combination of shorter-term option contracts. The premiums for LEAPS are higher than for standard options in the same stock because the increased expiration date gives the underlying asset more time to make a substantial move and for the investor to make a healthy profit.

Please note that LEAPS (i) are long-term options with a fixed duration, (ii) are not equity securities, (iii) involve a higher level of account activity and transaction costs, (iv) may result in the investor losing their entire investment in such LEAPS, and (v) do not pay dividends.

#### **C.6.e. Concentration Risk**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings.

Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

### **C.7. Material Risks of Investment Instruments**

WSA typically invests in fixed income securities, fixed income exchange-traded funds and options for the vast majority of its clients. WSA may also effect transactions in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Business Development Companies
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Corporate debt obligations
- Real Estate Investment Trusts ("REITs")
- Variable Annuities

#### **C.7.a. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **C.7.b. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>.

The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of

the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral.

Further, the use of leverage generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **C.7.c. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **C.7.d. Business Development Companies**

Business Development Companies are companies that lend to new, thinly traded and often distressed companies with poor credit ratings. Investing in Business Development Companies carries inherent risks including a lack of liquidity on a secondary market, credit risks and the frequency and amount of distributions is not guaranteed.

#### **C.7.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity.

With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **C.7.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **C.7.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **C.7.h. Corporate Debt Obligations**

MLPs are public entities that trade on public exchanges. Just as a company issues stock on an exchange, an MLP issues shares that trade on an exchange. One of the most crucial criteria that must be met in order for a partnership to be legally classified as an MLP is that the partnership must derive most (~90%) of its cash flows from real estate, natural resources, and commodities. The advantage of an MLP is that it combines the tax benefits of a limited partnership (the partnership does not pay taxes from the profit – the money is only taxed when unit holders receive distributions) with the liquidity of a publicly traded company. The two biggest risks that could affect MLPs as a group are a change in the tax status of the structure and rising interest rates.

#### **C.7.i. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, the firm may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both

principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **C.7.j. Non-Traded Real Estate Investment Trusts ("REITs")**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers which are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships which do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor, however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

### **C.7.k. Variable Annuities**

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges and carry additional risks such as the insurance carrier's ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

### **C.8. Voting Client Securities**

WSA does not take discretion with respect to voting proxies on behalf of its clients. WSA will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election, or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of WSA supervised and/or managed assets. In no event will WSA take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, WSA will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. WSA has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. WSA also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, WSA has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where WSA receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

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

WSA collects the following information in order to formulate its investment recommendations to clients and may provide such information to managers selected to manage assets on behalf of the client:

- Income
- Employment and residential information
- Social security number
- Cash balance

- Security balances
- Transaction detail history
- Investment objectives, goals, and risk tolerance
- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Asset allocation
- Restrictions on management of accounts
- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

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

WSA encourages communication with its clients and does not limit or condition the amount of time clients can spend with WSA advisory professionals.

## **Item 9: Additional Information**

### **A. Disciplinary and Other Financial Activities and Affiliations**

#### **A.1. Disciplinary**

There are no current or pending disclosure items to report on behalf of WSA advisors.

##### **A.1.a. Criminal or Civil Actions**

There is nothing to report on this item.

##### **A.1.b. Administrative Enforcement Proceedings**

There is nothing to report on this item.

##### **A.1.c. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.



## **A.2. Other Financial Activities and Affiliations**

### **A.2.a. Broker-Dealer or Representative Registration**

Neither WSA nor its affiliates are registered broker-dealers and do not have an application to register pending.

### **A.2.b. Futures or Commodity Registration**

Neither WSA nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **A.2.c. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **A.2.c.1. Insurance Sales**

Certain managers, members, and registered employees of WSA are licensed insurance agents. With respect to the provision of financial planning services, WSA professionals may recommend insurance products and receive a commission for doing so. Please be advised that there is a potential conflict of interest in that there is an economic incentive to recommend insurance products in which the firm or its professionals receive a commission. Please also be advised that WSA strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with WSA's employing broker-dealer.

## **B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters**

### **B.1. Code of Ethics Description**

In accordance with the Advisers Act, WSA has adopted policies and procedures designed to detect and prevent insider trading. In addition, WSA has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of WSA's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of WSA. WSA will send clients a copy of its Code of Ethics upon written request.

WSA has policies and procedures in place to ensure that the interests of its clients are given preference over those of WSA, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

#### **B.1.a. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

WSA does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition,

WSA does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

#### **B.1.b. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

WSA, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which WSA specifically prohibits. WSA has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow WSA's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **B.1.c. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

WSA, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other WSA clients. WSA will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of WSA to place the clients' interests above those of WSA and its employees.

### **B.2. Factors Used to Select Broker-Dealers for Client Transactions**

#### **B.2.a. Custodian Recommendations**

WSA considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

WSA may recommend that clients establish brokerage accounts with Fidelity Institutional Wealth Services ("Fidelity"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although WSA may recommend that

clients establish accounts at Fidelity, it is the client's decision to custody assets with the custodian. WSA is independently owned and operated and not affiliated with Fidelity. For WSA client accounts maintained in its custody, Fidelity generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts.

In certain instances, and subject to approval by WSA, WSA will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by WSA will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### ***B.2.a.1. Soft Dollar Arrangements***

WSA does not utilize soft dollar arrangements. WSA does not direct brokerage transactions to executing brokers for research and brokerage services.

#### ***B.2.a.2. Institutional Trading and Custody Services***

Fidelity provides WSA with access to its institutional trading and custody services, which are typically not available to Fidelity's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at Fidelity. These services are not contingent upon WSA committing to Fidelity any specific amount of business (assets in custody or trading commissions). Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### ***B.2.a.3. Other Products and Services***

Fidelity also makes available to WSA other products and services that benefit WSA but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of WSA's accounts, including accounts not maintained at Fidelity. Fidelity may also make available to WSA software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data

- facilitate payment of WSA's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

Fidelity may also offer other services intended to help WSA manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

Fidelity may also provide other benefits such as educational events or occasional business entertainment of WSA personnel. In evaluating whether to recommend that clients custody their assets at Fidelity, WSA may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by Fidelity, which may create a potential conflict of interest.

#### ***B.2.a.4. Independent Third Parties***

Fidelity may make available, arrange, and/or pay third-party vendors for the types of services rendered to WSA. Fidelity may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to WSA.

#### ***B.2.a.5. Additional Compensation Received from Custodians***

WSA may participate in institutional customer programs sponsored by broker-dealers or custodians. WSA may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between WSA's participation in such programs and the investment advice it gives to its clients, although WSA receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving WSA participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to WSA by third-party vendors

The custodian may also pay for business consulting and professional services received by WSA's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for WSA's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit WSA but may not benefit its client accounts. These products or services may assist WSA in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help WSA manage and further develop its business enterprise. The benefits received by WSA or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

As part of its fiduciary duties to clients, WSA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by WSA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence WSA's recommendation of broker-dealers such as Fidelity for custody and brokerage services.

#### **B.2.b. Brokerage for Client Referrals**

WSA does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

#### **B.2.c. Directed Brokerage**

##### ***B.2.c.1. WSA Recommendations***

WSA typically recommends Fidelity as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

##### ***B.2.c.2. Client-Directed Brokerage***

Occasionally, clients may direct WSA to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage WSA derives from aggregating transactions. Such client trades are typically affected after the trades of clients who have not directed the use of a particular broker-dealer. WSA loses the ability to aggregate trades with other WSA advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **B.3. Aggregating Securities Transactions for Client Accounts**

#### **B.3.a. Best Execution**

WSA, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. WSA recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. WSA will follow a process in an attempt to ensure that it is

seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, WSA seeks to ensure that clients receive best execution with respect to the client's transactions by blocking client trades to ensure consistent execution across multiple client accounts when applicable. To the best of WSA's knowledge, these custodians provide high-quality execution, and WSA's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to affect such transactions are established by the client's independent custodian and/or broker-dealer and are borne by WSA in this wrap fee program. Based upon its own knowledge of the securities industry, WSA believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **B.3.b. Security Allocation**

Since WSA may be managing accounts with similar investment objectives, WSA may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by WSA in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

WSA's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. WSA will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

WSA's advice to certain clients and entities and the action of WSA for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of WSA with respect to a particular

investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of WSA to or on behalf of other clients.

#### **B.3.c. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. All clients participating in each aggregated order will pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if WSA believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.3.d. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

WSA acts in accordance with its duty to seek best price and execution and will not continue any arrangements if WSA determines that such arrangements are no longer in the best interest of its clients.

### **B.4. Review of Accounts**

#### **B.4.a. Schedule for Periodic Review of Client Accounts and Advisory Persons Involved**

Accounts are reviewed by WSA's investment adviser representatives servicing the account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

#### **B.4.b. Review of Client Accounts on Non-Periodic Basis**

WSA may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how WSA formulates investment advice.



#### **B.4.c. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by WSA.

### **B.5. Client Referrals and Other Compensation**

#### **B.5.a. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

WSA does not receive economic benefits for referring clients to third-party service providers.

#### **B.5.b. Advisory Firm Payments for Client Referrals**

WSA does not pay for client referrals. However, certain registered employees of WSA participate in a referral arrangement in which they may refer the advisory client to an insurance brokerage where the advisory client may be sold insurance policies, with our registered employees receiving a referral fee for such arrangement. Please be advised that there is a conflict of interest in that there is an economic incentive to recommend insurance products in which the firm or its professionals receive additional compensation through a referral fee. Please also be advised that WSA strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

### **B.6. Financial Information**

#### **B.6.a. Balance Sheet**

WSA does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

#### **B.6.b. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

WSA does not have any financial issues that would impair its ability to provide services to clients.

#### **B.6.c. Bankruptcy Petitions during the Past Ten Years**

There is nothing to report for this item.

### **B.7. Custody**

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by WSA to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.



#### **B.8. Investment Discretion**

Clients may grant a limited power of attorney to WSA with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, WSA will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.