



6330 Levis Common Blvd  
Perrysburg, Ohio 43551  
(419) 482-4500  
[www.obsfs.com](http://www.obsfs.com)

## **Form ADV Part 2A**

Firm Brochure  
(Institutional)  
March 27, 2019

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

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

Questions relative to the firm, its services, or this Form ADV Part 2A may be made to the attention of Ms. Catherine Farley, Chief Operating Officer, at (419) 482-4500. Additional information about the firm, other advisory firms, or associated investment advisor representatives is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The investment advisory services offered and any investment vehicles employed are (i) not deposits or other obligations of, nor are they guaranteed by, a financial institution or its affiliate; (ii) are not insured by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), National Credit Union Share Insurance Fund (NCUSIF), or any other agency of the United States Government; and (iii) are subject to investment risks, including the possible loss of value. Further description with respect to investment strategies and their potential risks may be found in Item 8 of this brochure.

## **Item 2 - Material Changes**

OBS Financial Services, Inc., previously amended its Form ADV Part 2A firm brochure on March 26, 2018; the following material changes have occurred:

- 1) Item 4 –
  - a) Updated reportable assets under management values, providing 12/31/18 numbers.
  - b) Clarified OBS Financial's roll with the institution as OBS Financial is the sub-advisor.
  - c) Added a disclosure provision about the client's ability to place restrictions on his or her account.
- 2) Item 5 –
  - a) Clarified the OBS Financial fees and mutual fund fees.
  - b) Added clarification on risks of transferring an account to another financial services firm.
- 3) Item 8 - Added fixed income risk description to Risk of Loss section.
- 4) Item 12 – Added disclosure to state the gains from the error account go to a charity/non-profit where the CEO serves on the board (unpaid position).
- 5) Item 13 – Clarified who provides the subaccount holder's statement.

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

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

### **Item 3 - Table of Contents**

Item 1 - Cover Page.....	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business .....	4
Item 5 - Fees and Compensation .....	16
Item 6 - Performance-Based Fees and Side-By-Side Management .....	19
Item 7 - Types of Clients.....	19
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	19
Item 9 - Disciplinary Information .....	22
Item 10 - Other Financial Industry Activities and Affiliations .....	22
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	22
Item 12 - Brokerage Practices .....	23
Item 13 - Review of Accounts .....	25
Item 14 - Client Referrals and Other Compensation .....	26
Item 15 - Custody.....	27
Item 16 - Investment Discretion .....	28
Item 17 - Voting Client Securities.....	28
Item 18 - Financial Information .....	29

### **Important Information**

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

## **Item 4 - Advisory Business**

### **Description of Our Advisory Firm**

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

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

As of December 31, 2018, OBS Financial managed \$1.786 billion.<sup>1</sup> This total represents non-discretionary assets of \$1.086 billion and discretionary assets of \$700 million (defined in Item 16). As part of its business, OBS Financial also provides model portfolio services, acts as a strategist, effects trade execution and provides other investment management services for clients whose assets total \$365 million. If these additional assets are added to the totals above, as of December 31, 2018, OBS Financial was responsible for \$2.15 billion in total assets.

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

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

### **Description of Services Offered**

OBS Financial's investment management program offers financial institutions the opportunity to obtain professional portfolio management services through our access to institutional money managers and their specific investment strategies. Our firm provides an internet-based electronic interface via a secure website maintained for financial institutions to enable them to view one or more model portfolios into which the financial institution might invest for its clients.

If a financial institution decides to invest a client in one or more models, OBS Financial, facilitates the client's investment into that model(s) within a subaccount of a master omnibus account (the "omnibus account") held in the name of the institution, who is the sub-custodian utilizing its trust powers, and will take actions necessary, including executing trades, initially, and thereafter to rebalance the subaccount to continue to conform to the model(s) chosen by the financial institution on behalf of their client. The financial institution will have responsibilities with regard to setting up the client subaccount information within OBS Financial's system. OBS Financial is a sub-advisor to the institution.

---

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

The financial institution will maintain an omnibus account held at a qualified custodian. The financial institution is free to reject the unbundled fee program and participate in the wrap fee (bundled) option offered through OBS Financial. The subaccount holder (which is the client of the financial institution) does not choose between the wrap and unbundled program.

### ***Developing the Investment Plan***

The portfolio will be determined by the subaccount holder's investment objectives, time horizon, tolerance for risk, as well as any reasonable subaccount constraints. At account opening and at any time thereafter, a client can indicate if he/she has any reasonable account restrictions by the use of the Restrictions form with their advisor/trust officer. Note that any restriction placed on the management of a subaccount may have an effect on its strategy, investment selection and, potentially, the portfolio's investment results.

The subaccount holder is responsible for promptly notifying their financial institution representative if there are changes in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising previous recommendations. The subaccount holder retains discretion over the choice of investment models. The individual securities held within an investment model are, however, at the discretion of the portfolio manager.

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

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

The Efficient Frontier Series ("EFS") offered through Dimensional Fund Advisors ("DFA") are passively-managed asset class portfolios that focus on reducing risk by diversification among asset classes. The following paragraphs provide a description of each series.

***DFA/Efficient Frontier Series – DFA/EFS Core:*** The DFA/EFS Core portfolio series are dynamically managed multi-asset class portfolios that follow the covenants of Modern Portfolio Theory by diversifying among an extensive range of global equity, fixed income and real estate asset classes. These portfolios are tilted to have greater than market exposure toward small capitalization, value, and higher profitability stocks offering a greater probability to harvest the academically researched risk premiums these asset classes have historically displayed. To dampen volatility, a high-quality short-term global fixed income strategy is employed within the series. These model portfolios are currently constructed using the Dimensional Funds institutional mutual fund series.

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

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

the exposure is lower than that contained in the DFA/EFS Core or Tilt+ portfolio series. The series is well diversified while experiencing a lower standard deviation than the DFA / EFS Core.

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

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

**DFA/EFS Income Portfolio:** The overall investment objective of the DFA/EFS Income Portfolio is to maximize total return by providing a steady stream of income to the investor. The portfolio can invest in a full range of investment grade bonds, as well as across the maturity spectrum. The investor remains diversified as the portfolio invests in various types of government, agency, supra-sovereign and corporate credit issues of varying quality, geography and maturity terms.

**DFA/EFS S (Sustainability):** The DFA/EFS S Series utilizes Dimensional Fund Advisors series of Sustainability funds and is constructed and monitored by OBS Financial. The portfolios use the DFA/EFS Core Series investment philosophy coupled with an environmental impact screening strategy overlay. The screening seeks to limit, or eliminate, investment in certain companies that are identified by environmental impact screens, as reflected in the prospectus. These screens were designed to meet the sustainability investing needs of shareholders.

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

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

#### **DFA/EFS**

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

The **DFA/EFS 20/80** portfolio provides investors with the opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, while the bond markets provide a consistent stream of income

for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which raises the growth potential over that of a portfolio void of stock exposure.

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

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

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

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

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

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

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

The **+20/80** portfolio provides additional exposure to the US Small Cap and Value asset classes within the equity component for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio over the long term. The +20/80% portfolio provides investors with an opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, and the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which slightly raises the growth potential.

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

bond markets, the investor can receive a consistent stream of income and some protection from a downward stock market.

The **+50/50** portfolio provides additional exposure to the US Small Cap and Value asset classes in the equity component for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +50/50% portfolio aims to provide a balance between capital preservation and capital appreciation. With a 50/50 exposure to equity and fixed income, the portfolio is designed for those who are most comfortable with a balanced approach and have an average tolerance for investment fluctuations.

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

The **+70/30** portfolio provides additional exposure to the US Small Cap and Value asset classes in the equity component for a more aggressive investment approach. This will provide the potential for greater growth but will also increase the expected volatility of the overall portfolio. The +70/30% portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards increasing growth. There is a small exposure to fixed income providing limited income generation and downside protection.

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

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

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

The **-20/80** portfolio provides reduced exposure to the US Small Cap and Value asset classes in the equity component for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -20/80% portfolio provides investors with an opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited and the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which slightly raises the growth potential.



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

The **-50/50** portfolio provides reduced exposure to the US Small Cap and Value asset classes in the equity component for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -50/50% portfolio aims to provide a balance between capital preservation and capital appreciation. With a 50/50 exposure to equity and fixed income, the portfolio is designed for those who are most comfortable with a balanced approach and have an average tolerance for investment fluctuations.

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

The **-70/30** portfolio provides reduced exposure to the US Small Cap and Value asset classes in the equity component for a less aggressive investment approach. This will slightly reduce the potential for greater growth but will also decrease the expected volatility of the overall portfolio over the long term. The -70/30% portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards increasing growth. There is a small exposure to fixed income providing limited income generation and downside protection.

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

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

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

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

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

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

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

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

The **DFA/EFS EI 20/80** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in order to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio provides investors with the opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, and the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which raises the growth potential over that of a portfolio void of stock exposure.

The **DFA/EFS EI 40/60** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization in order to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio provides a balanced investment approach, with a conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout, and is moderated by a strong bond presence. With 60% of the portfolio assets in the bond market, the investor can receive a consistent stream of income and some protection from a volatile stock market.

The **DFA/EFS EI 50/50** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization in order to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to

combat inflation over the long term. The portfolio aims to provide a balance between capital preservation and capital appreciation. With a 50/50 exposure to equity and fixed income, the portfolio is designed for those who are most comfortable with a balanced approach and have a moderate tolerance for investment fluctuations.

The **DFA/EFS EI 60/40** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization in order to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio provides a classic balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for larger returns. Its 40% bond presence provides income to the investor and helps dampen volatility during a stock market downturn.

The **DFA/EFS EI 70/30** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization in order to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards increasing growth. There is a small exposure to fixed income providing marginal income generation and downside protection.

The **DFA/EFS EI 80/20** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization in order to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio provides substantial exposure to the global stock market, with an aggressive approach towards growth. A small bond presence is maintained, but income generation and downside protection is limited.

The **DFA/EFS EI 100/0** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization in order to increase diversification and growth potential provided by foreign markets. The 100/0% portfolio is the most aggressive portfolio and offers full exposure to the stock market. The portfolio is diversified between domestic and international stocks, with no exposure to the bond markets.

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

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

The **DFA/EFS Retirement 20/80** portfolio provides investors with an opportunity to build wealth through a conservative risk managed approach, while using a full core strategy to reduce expenses and trade costs. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, and the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market that slightly raises the growth potential.

The **DFA/EFS Retirement 40/60** provides a balanced investment approach with a conservative emphasis while using a full core strategy to reduce expenses and trade costs. The portfolio has a healthy exposure

to the stock market, with 40% of its assets diversified throughout, and is moderated by a strong bond presence. With 60% of the portfolio assets in the bond market, the investor can receive a consistent stream of income with protection from a volatile stock market.

The **DFA/EFS Retirement 50/50** portfolio strives to provide a balance between capital preservation and capital appreciation, while using a full core strategy to reduce expenses and trade costs. With a 50/50 exposure to equity and fixed income, the portfolio is designed for those who are most comfortable with a balanced approach and have a moderate tolerance for investment fluctuations.

The **DFA/EFS Retirement 60/40** portfolio provides a classic balanced investment approach with an emphasis on long-term growth, while using a full core strategy to reduce expenses and trade costs. The portfolio is more resistant to inflation with an increased potential for larger returns. Its 40% bond presence provides income to the investor and helps dampen volatility during a stock market downturn.

The **DFA/EFS Retirement 70/30** portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards increasing long-term growth, while using a full core strategy to reduce expenses and trade costs. There is a small exposure to fixed income, providing marginal income generation and downside protection.

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

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

### **DFA/EFS Income**

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

### **DFA/EFS S (Sustainability)**

The **DFA/EFS S 100/0** portfolio is an aggressive portfolio and offers full exposure to the stock market. The 100/0% portfolio is diversified between domestic and international developed stocks, with no exposure to the bond markets. The portfolio seeks to exclude investments in certain companies that are identified by the portfolio's environmental impact screens, as reflected in the prospectus. These screens were designed to meet the sustainability investing needs of investors.

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

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

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

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

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

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

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

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

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

The **TD/EFS 2040** Portfolio is designed for people planning to retire in 2040 and up to 10 years after January 2040. Over time, this portfolio will slowly change to a more conservative allocation by replacing a portion of equity with fixed income every five years. In the year 2040, this portfolio will mirror the current allocation of the Target Date Balanced Income Portfolio.

The **TD/EFS 2050** Portfolio is designed for people planning on retiring in 2050 and up to 10 years after January of 2050. Over time, this portfolio will slowly change to a more conservative allocation by

replacing a portion of equity with fixed income every five years. In the year 2050, this portfolio will mirror the current allocation of the Target Date Balanced Income Portfolio.

### **Tax-Aware – OBS/TA**

The OBS/TA portfolio series are tax-efficient, dynamically managed asset class portfolios that follow the covenants of Modern Portfolio Theory by diversifying among an extensive range of global equity, fixed income and real estate asset classes. These portfolios are tilted to have a greater exposure toward small capitalization, value, and highly profitable stocks, in order to capture the risk premiums these asset classes have historically displayed. The series implements multiple tax management strategies within the equity funds while also utilizing tax-advantaged municipal bonds. These model portfolios are built using the Dimensional Fund Advisors tax aware / tax managed institutional mutual fund series.

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

The **OBS/TA 20/80** portfolio provides investors with the opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited. To keep pace with inflation, the portfolio invests 20% into the stock market, which raises the growth potential over that of a portfolio void of stock exposure. The portfolio implements various tax efficient fund management while also utilizing tax-sensitive securities such as municipal bonds.

The **OBS/TA 40/60** provides a balanced investment approach with a conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout, and is moderated by a strong bond municipal bond presence. The portfolio implements various tax efficient fund management while also utilizing tax-sensitive securities such as municipal bonds.

The **OBS/TA 50/50** Portfolio aims to provide a balance between capital preservation and capital appreciation. With a 50/50 exposure to equity and fixed income, the portfolio is designed for those who are most comfortable with a balanced approach and have a moderate tolerance for investment fluctuations. The portfolio implements various tax efficient fund management while also utilizing tax-sensitive securities such as municipal bonds.

The **OBS/TA 60/40** portfolio provides a classic balanced investment approach with an emphasis on long-term growth. The portfolio is more resistant to inflation with an increased potential for larger returns. Its 40% bond presence helps dampen volatility during a stock market downturn. The portfolio implements various tax efficient fund management while also utilizing tax-sensitive securities such as municipal bonds.

The **OBS/TA 70/30** portfolio provides a sizeable exposure to the stock market, with a more aggressive approach towards increasing growth. There is a small exposure to fixed income, providing marginal downside protection. The portfolio implements various tax efficient fund management while also utilizing tax-sensitive securities such as municipal bonds.

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

The **OBS/TA 100/0** portfolio is the most aggressive portfolio and offers full exposure to the stock market. The DFA/EFS 100/0% portfolio is diversified between domestic and international stocks with no exposure to the bond markets. The portfolio implements various tax efficient fund management for investors who are tax-sensitive.

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

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

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

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

### **Customized Portfolios**

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

### **Firm Services**

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

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



## **Item 5 - Fees and Compensation**

Investors are generally assessed a tiered, annualized asset-based fee through their financial institution for those accounts that the firm provides its model portfolios and OBS Financial will share in a percentage of those fees. Fees will be negotiable at the institutional level and at the discretion of an officer of OBS Financial.

### **Fee Schedules**

Financial institutions have a management fee assessed by OBS Financial, who acts as a sub-advisor to the institution, for utilizing its model portfolios that will be charged on a monthly or quarterly basis which will be determined by the financial institution's billing cycle. The financial institution will also have a per-trade fee determined by the custodian where the omnibus account is held.

Financial institutions may elect to charge the end-client their own fee for their servicing of the end-client's account, this fee may be charged through OBS Financials' system or through the institution's own systems which OBS Financial would not have any knowledge of an institution's client fees. Financial institutions may select to either have their management fee charged based on the individual subaccount level or have the management fee based on the total assets in the aggregate with respect to the omnibus account. Subaccount holders need to contact their institution for fee disclosures regarding their account(s). The following fee schedules applies to an institution which may be passed onto a subaccount holder:

### **Individual Account Management Fee for Omnibus Account**

Calculate the fee on a per-account basis using average daily balance market values at the end of the billing period.

**Table 1: Individual-Level Account Management Fee**

<b>Assets Under Management</b>	<b>Asset-Based Fee*</b>
\$10,000 - \$500,000	35 bps
\$500,001 - \$750,000	30 bps
\$750,001 - \$5,000,000	25 bps
\$5,000,001 - \$10,000,000	15 bps
\$10,000,001 - Above	10 bps

\*Fees are non-retroactive using individual pricing (e.g., first \$500,000 at 35 bps, next \$250,000 at 30 bps).

### **Omnibus Account Management Fee for Entire Account**

Calculate the fee off of the omnibus account total market value using average daily balance market values at the end of the billing period.

**Table 2: Omnibus-Level Account Management Fee**

<b>Assets Under Management</b>	<b>Asset-Based Fee*</b>
\$10,000 - \$15,000,000	35 bps
\$15,000,001 - \$25,000,000	33 bps
\$25,000,001 - \$50,000,000	31.5 bps
\$50,000,001 - \$75,000,000	26 bps
\$75,000,001 - \$100,000,000	24.5 bps
\$100,000,001 - Above	20 bps



\*Fees are retroactive using omnibus pricing.

OBS Financial utilizes Fidelity Institutional Wealth Services (“Fidelity”). For an institution to open a subaccount for a client, the minimum subaccount is \$10,000.

### ***ERISA § 3(38) Services Fee***

If OBS Financial is engaged to serve as an ERISA § 3(38) fiduciary, an asset-based management fee of 0.25% (25 bps) for the first \$10 million and 0.15% (15 bps) for accounts greater than \$10 million will be applied to the noted schedule. There may be solicitor or advisory fees as disclosed, please refer to your advisory agreement for all fees.

The fees listed in the above fee schedules that are paid to OBS Financial are separate and distinct from the fees charged by the custodian and expenses charged by mutual funds and ETFs. Subaccount holders should read the mutual fund prospectus.

### **Billing Cycle and Management Fee Assessments**

The financial institution will pay OBS Financial the management fee as well as the per-trade charge and any other custodian charges on either a monthly or quarterly basis that will be determined by the billing schedule identified within its agreement with our firm. For any partial billing periods, the management fee will be based upon the average daily market value for the days a subaccount has been open during that partial period. All assets in a subaccount, including money market assets, are included within the management fee calculation. The management fee will be based upon the average daily market values for the number of days an omnibus account has been open during the period.

Omnibus account fees are assessed based on the value provided by the custodian. OBS Financial receives security pricing into its trust accounting software that calculates billing. In the absence of a reportable market value, our firm may seek an independent third-party opinion or a good faith determination by a qualified associate.

An invoice for the management fee and trade charges will be provided to financial institution no later than the seventh business day of the month following the end of each billing period, as selected by financial institution in its agreement.

Payment must be made to OBS Financial by the 20th calendar day of the month following the end of each billing period. Should the seventh and/or 20th calendar day fall on a weekend or non-market holiday, the deadline will default to the next successive business day.

The omnibus account holder will be required to authorize in writing the selected broker/dealer or custodian (collectively, “service provider”) to deduct advisory fees, any applicable transaction charges, etc., from their account and those fees will be noted on statements and confirmations.

The omnibus account holder shares in the responsibility to verify the accuracy of fee calculations; the custodian may not verify the accuracy of the fees assessed.

### **Potential Additional Fees**

Although the fees earlier described are for advisory fees payable to our firm, there may be additional fees a subaccount holder may pay when transactions occur in their account. The list of potential fees

and expenses below depict what a subaccount holder may pay a custodian, whether the position is being purchased, sold or held in an account.

- Exchange fees
- SEC regulatory fees
- Advisory and administrative fees charged by mutual funds and exchange-traded funds (ETFs)
- Custodial fees
- Wire transfer and electronic fund processing fees
- Termination fees
- Express mailing fees
- Others as disclosed on statements or confirmations when or as required

A per-account fee may be charged if an institution selects to have OBS Financial prepare Form 1099-R and performance reports for their clients. The maximum fee for this service is \$85 per subaccount. Other costs a financial institution may incur might include custodial fees, wire fees and overnight mailing charges. When executing the agreement with our firm, the financial institution acknowledges, and acknowledges that it has advised its own clients, that assets might be subject to other additional fees and expenses as may be set forth in the prospectuses for the mutual funds in which the subaccount assets are invested.

For more information about the firm's business and operational practices and its potential effect on fees, please refer to Items 12 and 14 of this brochure.

#### Termination of Services

Either party may terminate the agreement, in writing, at any time. The notice from either party will be 180 days in advance of the termination date. If our firm brochure was not delivered to the omnibus account holder at least 48 hours prior to entering into the sub-advisory contract, then the account holder has the right to terminate the engagement without fee or penalty within five business days after entering into the agreement.

It is important to note that once an account has begun the account transfer process, it then becomes restricted/frozen at the custodian until the transfer is complete to the receiving custodian that the account holders designates. This means transactions cannot be processed within an account. The transfer process can take several weeks.

OBS Financial's portfolios are comprised of Dimensional Fund Advisors ("DFA") mutual funds. Some mutual funds, such as DFA, are only offered through certain registered investment advisors, such as OBS Financial. If a client was to terminate the relationship with OBS Financial and transfer the account to another firm, the assets may not be accepted by another firm or the assets will transfer and a client may not be able to buy additional DFA funds. It is important to confirm with any firm when an account leaves OBS Financial as a firm must be approved by DFA to offer DFA funds

If the agreement is terminated after the five-day period, the account will be assessed fees on a prorated basis for services incurred from either (i) as a new account holder, the date of the engagement to the date of the firm's receipt of the written notice of termination; or (ii) all other accounts, the last billing period to the date of the firm's physical or constructive receipt of written termination notice.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

OBS Financial fees will not be based upon a share of capital gains or capital appreciation (growth) of any portion of managed funds, also known as “performance-based fees.” Side-by-side management refers to a firm simultaneously managing accounts that do pay performance-based fees (such as a hedge fund) and those that do not; this type of arrangement, and the conflict of interest it may pose, is also not applicable to our firm’s practices.

## **Item 7 - Types of Clients**

OBS Financial offers this investment management program to financial institutions for their end-clients who are individuals, high net worth individuals, trusts, estates, and charitable organizations, as well as businesses and pension and profit-sharing plans. Please refer to Item 5 for minimum investment requirements for subaccounts. In all instances, OBS Financial reserves the right to waive or reduce certain fees based on unique circumstances, special arrangements, or pre-existing relationships. We also reserve the right to decline services to any prospective investor for any non-discriminatory reason.

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

### **Method of Analysis**

The financial institution will take into consideration the subaccount holder’s current financial situation, needs, goals, objectives and tolerance for risk. Asset allocation and investment decisions are made by the firm in order to meet the subaccount holder’s objectives while minimizing risk exposure. To assist the financial institution to achieve this, OBS Financial will employ what the firm believes to be an appropriate blend of *fundamental* and *technical* analyses to develop long-term investment strategies. Fundamental analysis involves evaluating economic factors including interest rates, current state of the economy, and future growth of an issuer or sector, among others. Technical analysis may involve studying securities, markets, or economies as a whole in an effort to determine potential future behaviors.

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

### **Investment Strategies**

The underlying mutual fund managers OBS Financial selects to support its model portfolios must generally ascribe to the principles of the Modern Portfolio Theory and a mathematical technique known as “mean variance optimization.” This theory is based on the belief that proper diversification and risk management will provide the account holder with a more stable and consistent return over time. Furthermore, it has been statistically proven that a properly diversified portfolio, consisting of an appropriate weighting in different asset classes, will generally outperform most asset classes over time.

The practice of Modern Portfolio Theory does not employ market timing or stock selection methods of investing but rather a long term buy-and-hold strategy with periodic rebalancing of the account to maintain desired risk levels. Cost-efficient, low-cost mutual funds are recommended for each asset class (see Item 4).

## Risk of Loss

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

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

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

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

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

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

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

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

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

***Fixed Income Risks*** - Various forms of fixed income instruments, such as bonds, money market or bond funds may be affected by various forms of risk, including:

- **Credit Risk** - The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.
- **Duration Risk** - Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.
- **Interest Rate Risk** - The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- **Liquidity Risk** - The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income are generally liquid (i.e., bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.
- **Reinvestment Risk** - With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

***Passive Markets Theory*** – A portfolio that employs a passive, efficient markets approach (representative of Modern Portfolio Theory) has the potential risk that at times the broader allocation may generate lower-than-expected returns than those from a specific, more narrowly focused asset, and that the return on each type of asset is a deviation from the average return for the asset class.

Our firm believes this variance from the “expected return” is generally low under normal market conditions when a portfolio is made up of diverse, low or non-correlated assets.

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

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

### **Item 9 - Disciplinary Information**

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

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

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

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

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

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

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

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

OBS Financial believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate or at least minimize potential material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. It is important to note that no set of rules can anticipate or relieve all potential material conflicts of interest. Our firm will disclose to its clients any material conflict of interest relating to the firm, its representatives, or any of its associates which could

reasonably be expected to impair the rendering of unbiased and objective advice (such as roles described in this section of the brochure or an associate's brochure supplement).

#### Code of Ethics

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

#### Privacy Policy Statement

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

#### Participation or Interest in Client Transactions

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

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

#### Personal Trading

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

### **Item 12 - Brokerage Practices**

#### Factors Used to Select Broker/Dealers for Client Transactions

OBS Financial does not maintain physical custody of omnibus account assets (see Item 15 for recommended custodian). Accounts must be maintained by a qualified custodian that is frequently reviewed for its capabilities to serve in that capacity by their respective industry regulatory authority. Our firm is not a custodian nor is there an affiliate that is a custodian, nor are we registered with or supervised by a custodian. We may receive periodic referrals from a custodian, however, such introductions are not a factor in our selection of a custodian.



OBS Financial generally requires the financial institution engage Fidelity for custody and brokerage services. We receive economic benefit from Fidelity in the form of the support products and services they make available to us and other independent investment advisors. There is no direct link between our participation in the program and the investment advice or services we provide our clients. Our firm receives economic benefits through its participation in the program. These benefits may periodically include the following products and services (provided either without cost or at a discount):

- receipt of duplicate account statements and confirmations
- research related products and tools
- consulting services
- access to a trading desk serving accounts
- the ability to have advisory fees deducted from an account per written agreement
- access to an electronic communications network for order entry and account information
- access to mutual funds with no transaction fees, and to certain institutional money managers
- discounts on marketing, research, technology, and practice management products or services provided to our firm by third party vendors
- business consulting and professional services received by our firm assist us in managing and administering our accounts

Some of the noted services may benefit our firm but may not directly benefit each account, and certain research and other previously referenced services may qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934. The availability of these services benefits our firm because we do not have to produce or purchase them as long as our clients maintain assets in accounts at Fidelity. There is a conflict of interest since our firm may have an incentive to select or recommend Fidelity as custodian based on our firm's interest in receiving these benefits rather than on our clients' interest in receiving favorable trade execution. It is the firm's policy to restrict such non-cash compensation to those products or services that enhance our firm's ability to render quality service to all clients. Although our firm may maintain accounts at Fidelity, it derives no special benefit (any more than any other investment advisor) from doing so, nor do we "pay up" to receive additional services.

Our firm has determined through its review process that the service providers it has chosen are appropriate to support our program(s) due to what our firm would describe as the industry "best practices;" combining the elements of low (not necessarily the lowest) transaction costs for the benefit of custody of client's securities and service to both our clients and our firm in an effort to better serve accounts. Such services involve, for example, handling distributions and withdrawals, electronic client statements, among numerous others. Industry fees and schedules periodically change, subsequently transaction fees charged by selected service providers (such as Fidelity) may be higher or lower than those charged by others. OBS Financial believes, in good faith, that rates are reasonable in relation to the value of the services received and we believe comply with our duty to obtain "best execution." Our firm periodically assesses each service provider, their range of services and capabilities, as well as reasonableness of fees, in comparison to industry peers.

#### Client Referrals

All compensation paid to the firm is through those fees noted in Item 5. OBS Financial does not receive any additional compensation when its clients engage a recommended service provider.



### Directed Brokerage

OBS Financial does not require or engage in directed brokerage involving its accounts. The financial institution may direct the firm (in writing) to use another particular broker/dealer to execute some or all transactions for their account. In these circumstances, the financial institution will be responsible for negotiating, in advance, the terms and/or arrangements for accounts with their selected executing broker. Our firm will not be obligated to seek better execution services or prices from these other broker/dealers with orders for other accounts managed by our firm. As a result, the financial institution may pay higher commissions or other transaction costs, experience greater spreads, or receive less favorable net prices, on transactions than might otherwise be the case. Pursuant to our firm's obligation to seek best execution, OBS Financial may decline a request to direct brokerage if our firm believes a directed brokerage arrangement would result in additional operational difficulties or risk.

### Trade Aggregation

Due to the types of securities offered through our investment management program, in addition to our firm serving institutional accounts on a nondiscretionary basis, OBS Financial is unable to aggregate (block) trades. However, transactions occur within an omnibus account and their associated costs are generally less expensive compared to what an investor might pay for transactions if their trades occurred on an individual basis.

### Trade Errors

The firm corrects its trade errors through an account maintained by our custodian, and the firm or advisor may be responsible for trading error losses that occur within a client account. Should a gain occur, it may be netted against past losses. Gains created as a result of trading errors will be swept into a designated account maintained by our custodian and subsequently donated to a charity of our choosing. The charity will not have any affiliation or relation to OBS Financial. The CEO of OBS Financial serves on a couple non-profit local boards. He does not receive any compensation for serving as a board member to these non-profits. For one of these non-profits, the charity is to receive the gains from the error account. These non-profits do not have accounts at OBS Financial and are not affiliated.

## **Item 13 - Review of Accounts**

### ***Periodic Reviews***

The omnibus account holder's representative may periodically review reports provided to them by the portfolio manager and may contact the account holder to offer a review of their financial situation and objectives. Our firm will communicate information from the account holder via their representative to portfolio managers as warranted and will assist parties in their understanding and evaluating the services provided by each manager. In certain instances, account holders may be able to communicate with the portfolio manager.

Reviews will also be conducted on a macro level by our investment committee and supervisory staff. Normally these reviews involve analysis and possible revision of investment strategies and investment allocations, etc.

A copy of a revised investment guidelines or asset allocation reports will be provided to the account holder and/or their representative upon request.

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

Subaccount holders are encouraged to contact their representative for additional reviews when there are material changes that have occurred in their financial situation (i.e., change of employment status, receipt of a significant bonus, an inheritance, or other circumstances), or if they prefer changes involving an account. A copy of revised asset allocation reports will be provided when appropriate.

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

### ***Content of Reports and Frequency***

Omnibus account holders will receive statements sent directly from the custodian of record where their investments are maintained. We urge each omnibus account holder to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear. Any person receiving portfolio performance reports from any source are urged to carefully review and compare account statements that they have received from their custodian. The subaccount holders will receive their statements from their trustee (omnibus account holder) or other provider chosen by the trustee.

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

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

As disclosed in Item 12, our firm may receive economic benefit from a custodian in the form of various products and services they make available to our firm that may not be made available to a retail investor. As part of our fiduciary duty we endeavor at all times to put the interests of our clients first. We believe it is important to mention that the benefit received by our firm by a custodian does not depend on the amount of transactions directed to that custodian, and we believe our selection of a custodian is in the best interests of our clients since the selection is primarily supported by the scope, quality, and cost of their services -- not just those services that benefit only our firm.

### ***Solicitor Engagements***

If a prospective client is introduced to OBS Financial by an unaffiliated solicitor, our firm may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities law requirements. Our firm will pay this referral fee to the solicitor as long as the account remains with our firm. The costs or fees payable by the account holder for the services provided our firm may be increased as a result of the firm's payments to the solicitor by an amount equal to the amount of the payments by the firm to the solicitor. The solicitor will disclose the nature of their relationship to prospective investors at the time of solicitation and will provide prospective investors with both OBS Financial Form ADV Part 2A and/or wrap fee brochure in addition to the solicitor's disclosure statement that contains the terms and conditions of the solicitation arrangement, including compensation arrangements.

OBS Financial has entered into a revenue sharing agreement with the trust portfolio management software providers, in which our firm pays 0.03% (3 bps) per annum of reportable assets under management for those accounts referred to us by various trust systems.

### ***Financial Institution Referrals***

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

### ***Referrals to Other Professionals***

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

### ***Industry Memberships***

A firm associate may hold individual membership or serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements. A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective investors) to search for individual participants within a selected state or region.

These passive websites may provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area and would receive the same or similar information. A portion of these participant's membership fees may be used so that their name will be listed in some or all of these entities' websites (or other listings). Prospective investors locating our firm or an associate via these methods are not actively marketed by the noted associations. They do not pay more for their services than other investors referred to us in another fashion, such as by an account holder. We do not pay these entities for referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

### **Item 15 - Custody**

Accounts may be maintained at Fidelity Institutional Wealth Services, they are not maintained by our firm or a related party. In keeping with the firm's policy of not taking physical custody of client funds or securities, we:

- Restrict the firm and associates from acting as trustee for or having general power of attorney over an account holder's account.
- Are prohibited from having authority to withdraw securities or money from an account, other than the request for payment of advisory fees that is accomplished through a qualified custodian and pursuant to a written agreement (termed "constructive custody").

- Do not accept or forward clients' securities (i.e., stock certificates) erroneously delivered to our advisory firm.
- Will not collect fees of \$1,200 or more for advisory services to be performed six months or more in advance.
- Will not authorize an associate to have knowledge of an account holder's access information (i.e., online 401(k), brokerage or bank accounts), even for the convenience or accommodation of the account holder or their legal agent, if such access would result in having control over the account or its assets.

Omnibus account holders will receive statements sent directly from the custodian of record where their investments are maintained. We urge each omnibus account holder to carefully review these statements for accuracy and clarity, and to ask questions when something is not clear. Any person receiving portfolio performance reports from any source are urged to carefully review and compare account statements that they have received from their custodian.

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

#### **Item 16 - Investment Discretion**

OBS Financial provides institutional accounts its investment management services on a nondiscretionary basis. Ongoing approval involving the investment and reinvestment of account assets will be required. Note that the custodian of record will typically limit our firm's authority within an account to the placement of trade orders and the request for the deduction of advisory fees.

The omnibus account holder or their attorney-in-fact grants trading authorization through the execution of an engagement agreement and custodian of record's account opening documents. Account holders are able to amend account authority by providing revised written instructions.

It is important that subaccount holders keep their institutional representative updated of any change in their situation and/or investment objective so that they may reevaluate previous investment recommendations or portfolio holdings.

#### **Item 17 - Voting Client Securities**

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

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

Our firm will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation

or proceeding relating to securities held at any time in a account holder account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving account assets.

**Item 18 - Financial Information**

OBS Financial will not take physical custody of client assets, nor do we have the type of account authority to have such control. Fee withdrawals must be done through a qualified intermediary (e.g., custodian of record) per a prior written agreement.

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

Neither the firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm's clients are either partners of the partnership or beneficiaries of the trust. The firm and its management do not have a financial condition likely to impair the firm's ability to meet commitments to our clients, nor have they been the subject of a bankruptcy petition at any time during the past 10 years.

Due to the nature of our firm's services and operational practices, an audited balance sheet is not required nor included in this brochure.