



# **West Financial Services, Inc.**

## **Part 2A of Form ADV**

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This brochure provides information about the qualifications and business practices of West Financial Services, Inc. ("WFS" or "the Company"). If you have any questions about the contents of this brochure, please contact us at 703-847-2500. 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. Our registration does not imply a certain level of skill or training.

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

### **Material Changes**

Since 2010, the SEC requires material changes to Part 2 of Form ADV to be listed in this section. WFS' business activities have not changed materially since that time.

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## Advisory Business

WFS is an SEC registered fee-only investment adviser that assists associations, corporations, foundations, trusts, pension plans, and high net worth individuals with financial planning and investment management. Our investment philosophy stresses diversified portfolios tailored to each client's individual circumstances and specific goals. Our investment management goal is to optimize the return on each client's portfolio while keeping within the individual's risk tolerance, time horizon, tax status and wealth objectives.

The Company was founded in February 1982. On October 3, 2005, WFS Acquisition Corp, Inc., a Maryland corporation and wholly-owned subsidiary of Sandy Spring Bancorp, Inc., a Maryland corporation ("SSB"), acquired all of the stock of WFS. WFS still operates under its name, as a subsidiary of Sandy Spring Bank. SSB is the holding company for Sandy Spring Bank, and its principal subsidiaries, Sandy Spring Insurance Corporation and West Financial Services, Inc. Sandy Spring Bank offers a range of commercial banking, retail banking, and trust services to individuals and may refer banking clients to WFS to provide these clients with access to a broader array of financial products and services. WFS is not compensated by SSB for these referrals.

## Investment Management

The WFS investment approach stresses diversified portfolios tailored to each client's individual circumstances, including risk tolerance, time horizon, tax constraints and wealth objectives. Due to these and other factors, WFS may not purchase or sell the same security for every client account at the same time.

We maintain a long term view and utilize diversification across global asset classes as the foundation of the portfolio, while incorporating research-driven tactical asset allocation adjustments. For equities, we generally incorporate individual stocks, exchange traded funds and no-load equity mutual funds. Our primary focus with fixed income is preservation of capital. We build a foundation

of high quality bonds and ladder the maturities over a short to intermediate time period so that bonds mature each year. This strategy provides various maturities for reinvestment at different yields or for use of principal to meet future cash flow needs. For fixed income, we generally purchase U.S. Treasury's, governmental agency bonds, municipal bonds, investment grade corporate securities and FDIC insured certificates of deposit. On occasion, WFS may purchase less than investment grade corporate bonds. These bonds are considered to have more default risk than investment grade bonds. Clients may restrict the types and ratings of bonds purchased.

Due to customization of each client portfolio, clients may hold legacy securities and may place restrictions on individual securities or security types. Legacy securities are those that a client owned prior to or separate from its WFS portfolio, and may or may not be included in the assets on which WFS charges its fee. Because these securities are not recommended by WFS, there is no expectation that WFS is monitoring these securities with the same amount of diligence as it is monitoring securities it recommends for clients.

As of December 31, 2016, discretionary assets under management by WFS were valued at \$1,223,505,002.20 with 671 clients.

### **Financial Planning Services**

WFS provides financial planning clients with a five-step process that includes identifying goals, analyzing data, providing recommendations, assisting with implementation, and annually reviewing projected outcomes.

A comprehensive plan starts with a balance sheet to determine net worth and titling of assets. We review cash flow and income taxes to identify areas for improvement. We review existing investments and assess historical performance and personal risk before determining portfolio allocations and suitable investment selections. These core areas of review – balance sheet, cash flow, income tax, and investments – form the basis for our retirement cash flow projections. These projections include a number of assumptions made from discussions with clients regarding financial and retirement goals, as well as previously supplied data. We follow our projections with a discussion of a client's estate planning needs. If a client has existing wills or trusts, we will review and comment on the documents.

A comprehensive financial plan may also include a detailed review of, and recommendations in, the following areas:

- Insurance,
- Education funding,
- Stock option exercise strategies,
- Business form and succession planning, and
- Any other financial area suggested by a client's needs.

We will meet with clients to review the full plan and follow up with them to help with implementation. We will work with a client's own professionals or refer them to our network of accountants, attorneys, and other professionals. We encourage clients to call at any time with financial questions and concerns, and recommend that we meet for an annual update.

Additionally, part of the WFS process includes, where appropriate, involving multiple generations in order to facilitate family financial planning. This can increase the financial education of the later generations

and manage expectations. However, potential for conflicts of interest exist with the exchange of intergenerational information. WFS attempts to minimize these conflicts by treating each household as its own fiduciary relationship. Information can only be shared across generations with each household's consent. This means that even if a family member is responsible for payment for our services, we do not share information with others without the specific client's consent.

### **Personalized Consulting Services**

WFS offers personalized consulting services to address the unique needs of high net worth individuals. We customize each relationship, attempting to find creative solutions to clients' financial needs while coordinating with other professionals. Fee only advice is independent of any product influence, and we observe strict privacy and confidentiality. We assure that our consultants are readily accessible and that our services are personalized. Consulting services can include, but are not limited to:

- Asset Management
- Business Planning
- Client Specific Projects
- Education Planning
- Estate Planning
- Financial Planning
- Individual Securities Research
- Investment Management
- Legacy and Philanthropic Planning
- Retirement Planning
- Strategic Planning
- Succession Planning
- Venture Deal Analysis

Our collaborative team approach provides customized strategies, strong communication and personalized attention.

### **Pension/401(k) Plan Consulting Services**

WFS offers Pension/401(k) plan consulting services and participant education. We work with the plan trustees to provide the following initial and ongoing services:

- Establishment of an Investment Policy Statement,
- Analysis, review, and recommendation of investment selections,
- Annual plan reviews,
- Attendance at annual Investment Committee meetings,
- Preparation of participant newsletters,
- Educational meetings for employees, and
- Continuing individual participant support

Initial mutual fund selection includes a review of fund categories, based on 404(c) guidelines. We then select a specified number of funds based on performance, stability of management, expenses, portfolio mix, and risk. We will prepare a comprehensive, annual review of all current investment

options and participation and include recommendations to the plan trustees.

We also work with plan administrators and trustees to set up new plans or change existing providers. This process often involves sending out a detailed request for proposal to a chosen list plan providers and/or third-party administrators. We will then evaluate proposals and present our recommendations to the trustees.

Once a plan is established, we will conduct initial participant meetings to present general retirement planning education and summarize the investment options available in the plan. We continue to make annual or semi-annual presentations to plan participants to provide plan awareness, investment education, retirement planning advice, and fund performance updates. Additional communication to plan participants includes a newsletter describing the plan's investment options and performance. Newsletters also include a market commentary and additional articles of interest and may be prepared either semi-annually or quarterly.

## **Fees and Compensation**

For investment management, clients are billed a fee at the end of each quarter based on custodial market values. Financial planning, consulting and 401(k) clients are billed a fixed fee, a standard hourly rate, or in the case of 401(k) consulting clients, a percentage of assets under consultation. Fees are billed in arrears.

### **Our Investment Management fees are as follows:**

Up to and including \$2,000,000*	1.00% per annum
Greater than \$2,000,000 up to and including \$4,000,000	0.75% per annum
Greater than \$4,000,000 up to and including \$7,000,000	0.50% per annum
Greater than \$7,000,000 up to and including \$10,000,000	0.40% per annum
Greater than \$10,000,000	0.30% per annum

\*The minimum size for starting an investment management relationship is \$1 million, except for existing clients, their families and referrals. Accounts may be aggregated to meet the \$1 million minimum relationship size. We will assess accounts accepted for management that do not meet our \$1 million minimum a 1.25% per annum fee until the \$1 million minimum is reached and the standard fee schedule applies. Our fees are not negotiable.

We provide clients a fee invoice. WFS will deduct investment management fees directly from the clients' custodial accounts, as authorized by the client, and we will provide documentation noting the deduction of the fee. WFS can also bill clients by invoice to be paid by check.

The fees stated above are charged for the investment management, record-keeping, and reporting of security portfolios. We will assess fees for additional services according to the nature of the service and the responsibilities undertaken. An example of such services, but not by way of limitation, includes researching cost basis of securities and assisting with assembling information for individual income tax returns. We will bill between \$75 per hour and \$200 per hour, based on the individual assigned and service provided.

### **Our Financial Planning/Personalized Consulting rates are as follows:**

Licensed CFP® and Consulting Rate	\$250 per hour
Consulting Retainer Fee	\$250 per hour billed quarterly

Costs for our 401(k) consulting services reflect the nature of our engagement with the plan sponsor. For the most part, we bill on a percentage of the plan assets under consultation. We also have relationships that are billed on a quarterly retainer basis. Lastly, we offer separate consulting services (such as an initial plan evaluation) as a stand-alone engagement based on an hourly estimate of costs.

We typically do not charge for the initial meeting to discuss our services.

We provide our services on a fee-only basis. This means that we do not receive compensation based on the purchase or sale of any financial products. We are compensated solely by the client based upon the services that we perform. Clients pay brokerage commission costs, plus any SEC fees in addition to the management fees charged by WFS. With respect to mutual funds, clients pay any management fees and operating expenses associated with a particular mutual fund. These fees are disclosed in each mutual fund's prospectus. This is in addition to the fees charged by WFS. The Brokerage Practices section of this form includes additional information.

We bill all fees after our services are rendered. WFS or the client may terminate an advisory agreement at any time, with or without cause, upon written notice to the other party. Clients who have terminated their account(s) are subject to be transitioned to retail status (de-linked) if assets have not been moved from linkage with WFS master accounts within 30 days after termination, unless different arrangements have been communicated.

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

WFS does not charge any performance based fees.

## **Types of Clients**

WFS offers advisory services to individuals, associations, corporations, foundations, trusts, pension plans, and high net worth individuals. The minimum size for starting an investment advisory relationship is \$1 million, except for existing clients, their families, and referrals. Accounts may be aggregated to meet the \$1 million minimum relationship size.

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

The WFS investment approach stresses diversified portfolios tailored to each client's individual circumstances. Our investment management goal is to optimize the return on each client's portfolio while keeping within the individual's risk tolerance, time horizon, tax status and wealth objectives.

### **An overview of our approach**

Each client's portfolio will be invested according to that client's investment objectives. We determine these objectives by interviewing the client and/or asking the client to put these objectives in writing. Once we ascertain the client objectives for each account, we develop a set of asset allocation guidelines. An asset allocation strategy is a percentage-based allocation to different investment types. The percentages in each type that we recommend are based on the typical behavior of that security type, individual securities we follow, current market conditions, client current financial situation, cash flow needs, client financial goals, and the time horizon to get the client to

those goals. Because we develop an investment strategy based on each client's personal situation and financial goals, the asset allocation guidelines may be similar to or different from another client. We will periodically implement securities transactions in client portfolios to meet the guidelines of the asset allocation strategy. It is important to remember that because market conditions can vary greatly, asset allocation guidelines are not necessarily strict rules. Rather, we review accounts individually, and may deviate from the guidelines as we believe necessary.

Since asset allocation is the driving force of portfolio performance, we maintain a long-term view over the entire business cycle. Our portfolios utilize diversification across global asset classes as their foundation while incorporating disciplined research-driven tactical asset allocation adjustments.

For equities, we utilize a "core and satellite" approach to investing. By using low-cost, core investments in index funds, we ensure that clients participate in market movements. For the "satellite" portion of the portfolio, we typically use actively managed mutual funds and exchange traded funds to provide growth and value style exposure. We also purchase individual stocks for additional sector and dividend exposure. Our investment team pays close attention to valuation, establishes well-defined entry and exit points, and uses both quantitative and qualitative due diligence when investigating new investment opportunities.

Our primary fixed income focus is preservation of capital. We build a foundation of high quality bonds and ladder the maturities over a short to intermediate time period so that bonds mature each year. This strategy provides various maturities for reinvestment at different yields or for use of principal to meet future cash flow needs.

WFS does not buy proprietary mutual funds or securities. We are able to select mutual fund managers that combine strong, consistent performance with reasonable expenses.

Participation in Initial Public Offerings ("IPOs") may occur upon specific client request. Allocations of shares to accounts that express interest in IPOs may depend upon the custodian where the account is custodied and the custodian's relationship with the selling group. Prior to submitting an indication of interest on behalf of a client, WFS may require additional information from the client to ensure the client is not restricted from purchasing IPOs.

Our team of experienced investment professionals meet to review proprietary and external research on macro-economic issues, changes to tax statutes, and due diligence on individual equities, fixed income and mutual funds. Through these meetings, we regularly evaluate the performance of our investments against appropriate benchmarks. We monitor, measure and evaluate performance of our clients' investments, offer personal meetings to review accounts and provide quarterly reporting. Investment decisions consider tax consequences as well as transactional expenses.

## **IRA Rollovers**

Depending on a client's given circumstances, WFS may recommend that a client rollover retirement plan assets to an Individual Retirement Account (IRA) managed by us. As a result, WFS may earn fees on those accounts. This presents a conflict of interest, as WFS has a financial incentive to recommend that a client roll over retirement assets into an IRA we will manage. This conflict is disclosed to clients in this brochure. Clients are also advised that they are under no obligation to implement the recommendation to roll over retirement plan assets. WFS attempts to mitigate this conflict by requiring that all investment recommendations have a sound basis for the

recommendation, and by requiring employees to acknowledge their fiduciary responsibility toward each client.

## **Risk of Loss**

There are always risks to investing. **Clients should be aware that all investments carry various types of risk, including the potential loss of principal that clients should be prepared to bear.** It is impossible to name all possible types of risks. Among the risks are the following:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities may not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** When investing in another country using another currency, the changes in the value of the currency can change the value of a security in your portfolio.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading:** Clients should note that WFS may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. WFS endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the taxation of transactions.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but rather its relative value may decline. Inflation can occur for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** This can be thought of as certainty or uncertainty of income. Management comes under business risk due to sales volumes, competition, government regulations and the economic cycle.
- **Financial Risk.** The amount of debt or leverage determines the financial risk of a company.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Information Risk.** All investment professionals rely on research in order to make conclusions about investment options. This research is always a mix of both internal (proprietary) and external (provided by third parties) data and analyses. Even an adviser who says they rely solely on proprietary research must still collect data from third parties. This data, or outside research is chosen for its perceived reliability, but there is no guarantee that the data or research will be completely accurate. Failure in data accuracy or



research will translate to a compromised ability by the adviser to reach satisfactory investment conclusions.

- **Small Companies.** Some investment opportunities in the marketplace involve smaller issuers. These companies may be starting up, or are historically small. While these companies sometimes have potential for outsized returns, they also have the potential for losses because the reasons the company is small are also risks to the company's future. For example, a company's management may lack experience, or the company's capital for growth may be restricted. These small companies also tend to trade less frequently than larger companies, which can add to the risks associated with their securities because the ability to sell them at an appropriate price may be limited compared to the markets as a whole. Not only do these companies have investment risk, if a client is invested in such small companies and requests immediate or short term liquidity, these securities may require a significant discount to value in order to be sold in a shorter time frame.
- **Concentration Risk.** While WFS selects individual securities, ETFs and mutual funds, for client portfolios based on an individualized assessment of each security. This means that a client's equity portfolio may be concentrated in a specific sector, geography, or sub-sector (among other types of potential concentrations), so that if an unexpected event occurs that affects that specific sector or geography, for example, the client's portfolio may be affected negatively.
- **Transition risk.** As assets are transitioned from a client's prior advisers to WFS there may be securities and other investments that do not fit within the asset allocation strategy selected for the client. Accordingly, these investments may need to be sold in order to reposition the portfolio into the asset allocation strategy selected by WFS. However, this transition process may take some time to accomplish. Some investments may not be unwound for a lengthy period of time for a variety of reasons that may include unwarranted low share prices, restrictions on trading, contractual restrictions on liquidity, market-related liquidity, or legacy stock concerns. In some cases, there may be securities or investments that are never able to be sold. The inability to transition a client's holdings into recommendations of WFS may adversely affect the client's account values, as WFS's recommendations may not be able to be fully implemented.
- **Restriction Risk.** Clients may at all times place reasonable restrictions on the management of their accounts. However, placing these restrictions may make managing the accounts more difficult, thus lowering the potential for returns.
- **Risks Related to Investment Term & Liquidity.** Securities do not follow a straight line up in value. All securities will have periods of time when the current price of the security is not an accurate measure of its value. If a client requires us to liquidate your portfolio during one of these periods, the client will not realize as much value as they would have had the investment had the opportunity to regain its value. Further, some investments are made with the intention of the investment appreciating over an extended period of time. Liquidating these investments prior to their intended time horizon may result in losses.

## Disciplinary Information

WFS and its employees have not been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

## Other Financial Industry Activities and Affiliations

WFS and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

However, as mentioned, WFS is a wholly-owned subsidiary of Sandy Spring Bank and thereby affiliated with Sandy Spring Insurance Corporation, another wholly-owned subsidiary of Sandy Spring Bank. Sandy Spring Bank offers a range of commercial banking, retail banking, and trust services to individuals and may refer banking clients to WFS to provide these clients with access to additional services. WFS does not compensate Sandy Spring Bank for these referrals.

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

WFS maintains a written Code of Ethics, which requires personal securities transaction reporting and covers conflicts of interest, relationships with clients and suppliers, relationships with governmental authorities, and relationships with other businesses and employees. A copy of the Code of Ethics is available upon request.

At times, WFS employees or a related person may place personal security orders that coincide with security orders placed for client accounts. Given the customization of each individual account, the timing of these orders may occur on different days or on the same day. Due to the policy of buying primarily large-cap stocks, mutual funds, indexes and ETFs for clients, WFS believes it impossible for a personal trade to influence the price of these securities. The SEC does not prohibit such trading, but may inquire about the practice. WFS maintains a record of employee's personal securities transactions. All rules and regulations of the Advisers Act are strictly enforced. WFS does not permit insider trading.

## **Brokerage Practices**

### **The Custodians and Brokerages we use**

WFS does not maintain custody of client assets, though WFS may be deemed to have custody by the SEC if a client grants WFS authority to debit fees directly from their account. Assets must be maintained in an account at a "qualified custodian," generally a brokerage or bank. We require that our clients use either Charles Schwab & Co., Inc. (Schwab), or Fidelity Investments (Fidelity), registered broker-dealers, members SIPC, as the qualified custodian. Not all advisors require clients to use specific broker-dealers. We are not affiliated with Schwab or Fidelity. Schwab or Fidelity will hold client assets in a brokerage account and buy or sell securities as instructed by WFS. While we recommend that clients use Schwab or Fidelity as custodian, the client will decide whether to do so and will open an account by entering into an agreement directly with them. We do not open client accounts, although we assist by completing forms and obtaining signatures. Even though client accounts are maintained at Schwab or Fidelity, we can still use other brokers to execute trades for client accounts as described below. (See "Brokerage and Custody Fees.")

### **How we select Custodians/Brokers**

We seek to select a custodian who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)

- Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior services to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see "Products and Services" available to WFS from Schwab and Fidelity)

### **Brokerage and Custody Fees**

For our clients' accounts that Schwab or Fidelity maintains, Schwab or Fidelity generally do not charge clients separately for custody services but are compensated by charging clients commissions or other fees on trades that it executes or that settle into Schwab or Fidelity client accounts. This commitment benefits clients because the overall commission rates paid by clients may be lower than they would be otherwise. Schwab and Fidelity may charge a minimum ticket charge per securities transaction, which may be lower if the client elects to receive only electronic statements from the applicable custodian. In addition to commissions, Schwab and Fidelity charge clients a flat dollar amount as "prime broker" or "trade away" fee for each trade we have executed by a different broker-dealer but where securities bought or the funds from the securities sold are deposited (settled) into the client's Schwab or Fidelity account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have Schwab and Fidelity execute most trades for client accounts. We have determined that having Schwab or Fidelity execute most trades is consistent with our duty to see "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select Custodians/Brokers").

### **Directed Brokerage**

WFS will accept direction from clients or agree to limitations with respect to the WFS' brokerage discretion as to which broker or brokers is/are to be used and what commissions are to be paid. Any such direction or limitation must be in writing. Clients which, in whole or in part, direct the Company to use a particular broker to execute transactions for their accounts should be aware that, in so doing, they may adversely affect the Company's ability to, among other things, obtain best price and execution, and the cost of the transaction may be greater. Clients that direct their brokerage should also be aware that Company will generally place such trades after the completion of trades for clients that do not direct their brokerage.

### **Products and Services Available to WFS from Schwab and Fidelity**

Schwab Advisor Services and Fidelity Investments provide us and our clients with access to their institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab and Fidelity retail clients. Schwab and Fidelity also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage or grow our business. Schwab and Fidelity's support services generally are available on an unsolicited basis and at no charge to us as long as our clients collectively maintain at least \$10 million of their assets at Schwab or Fidelity. Following is a more detailed description of Schwab and Fidelity's support services.

### **Services That Benefit Clients**

Schwab and Fidelity brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and Fidelity include some to which we might not otherwise have access or that would require a significantly higher minimum investment by our clients. Schwab and Fidelity's services described in this paragraph generally benefit our clients and their accounts

### **Services That May Not Directly Benefit Our Clients**

Schwab and Fidelity also make available to us other products and services that benefit us but may not directly benefit client accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab and Fidelity's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, record-keeping and client reporting

### **Services That Generally Benefit Only WFS**

Schwab and Fidelity also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management
- Access to employee benefit providers, human capital consultants and insurance providers

Schwab and Fidelity may provide some of these services themselves. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab and Fidelity may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab and Fidelity may also provide us with other benefits such as occasional business entertainment of our personnel.

## **Our Interest in Schwab and Fidelity's Services**

The availability of these services from Schwab and Fidelity benefits us because we do not have to produce or purchase them. We believe, however, that our selection of Schwab and Fidelity as custodians and brokers is in the best interest of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab and Fidelity's services (see "How We Select Custodians/Brokers") and not Schwab and Fidelity's services that benefit only us.

Our investment research is performed using many sources and has no effect upon which custodian or broker/dealer is used to process security transactions. All client accounts benefit from research performed. WFS limits its use of soft dollars to arrangements falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. Only bona fide research that provides assistance to WFS in the performance of its investment decision making responsibilities is accepted in exchange for commission offsets. WFS currently maintains one soft dollar relationship with Schwab for the provision of a Bloomberg terminal. WFS may have an incentive to select Schwab because it receives such services. WFS does not consider whether it or a related person receives client referrals from a third party when selecting or recommending broker dealers.

WFS may aggregate purchase and sale orders of investments held by client accounts managed by WFS with similar orders being made simultaneously for other accounts or entities if, in WFS's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that they will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for clients will be affected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, at WFS's sole discretion, and the client account may be charged or credited, as the case may be, with the average transaction price.

WFS does not participate in cross trades.

For additional information, please refer to "Brokerage and Custody Fees" section above.

## **Review of Accounts**

We review accounts on two different levels, including a top down and bottom up review. Our Investment Committee meets to discuss financial, economic, and security-specific news, as well as security price movements and trading volume, drive top down reviews. Portfolio management teams determine and implement daily strategy. In general, bottom up reviews are done on a monthly basis to review asset allocation and the overall integrity of client portfolios. Factors that may prompt more frequent reviews include account contributions and withdrawals and large movements in the market. A change in a client's circumstances, such as a divorce, death, etc. will also trigger a review.

Accounts are reviewed in teams consisting of a Relationship Manager, Portfolio Manager, and the Fixed Income Team.

Account reviewers include the following:

Glen J. Buco	President & Relationship Manager
Kimberly A. Cox	Chief Operating Officer, Director of Consulting Services, and Relationship Manager
Glenn A. Robinson	Chief Investment Officer
Norma L. Graves	Chief Compliance Officer, Director of Fixed Income, and Portfolio Manager
Matthew Cohen	Portfolio Manager
Phillip Greene, III	Portfolio Manager
Victoria Henry	Relationship Manager
Abby Just	Portfolio Manager
Brian L. Mackin	Relationship Manager
Kirstie B. Martinez	Director of Portfolio Management and Portfolio Manager
Laura L. McAree	Portfolio Manager
Dana G. Sippel	Relationship Manager

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

WFS is directly compensated by the clients and does not receive any economic benefit from any other sources.

**Participation in Fidelity Wealth Advisor Solutions®.** WFS participates in the Fidelity Wealth Advisor Solutions® Program (the “WAS Program”), through which WFS receives referrals from Strategic Advisers, Inc. (“SAI”), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. WFS is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control WFS, and SAI has no responsibility or oversight for WFS’s provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for WFS, and WFS pays referral fees to SAI for each referral received based on WFS’s assets under management attributable to each client referred by SAI or members of each client’s household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to WFS does not constitute a recommendation or endorsement by SAI of WFS’s particular investment management services or strategies. More specifically, WFS pays the following amounts to SAI for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by SAI and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition, WFS has agreed to pay SAI a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by WFS and not the client.

To receive referrals from the WAS Program, WFS must meet certain minimum participation criteria, but Advisor may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, WFS may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and Advisor may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to WFS as part of the WAS Program. Under an agreement with SAI, WFS has agreed that Advisor will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to

these arrangements, WFS has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when WFS's fiduciary duties would so require, and Advisor has agreed to pay SAI a one-time fee equal to 0.75% of the assets in a client account that is transferred from SAI's affiliates to another custodian; therefore, WFS may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit WFS's duty to select brokers on the basis of best execution.

WFS invites referrals from the SSB family of companies. WFS does not charge clients introduced by the referral sources at SSB fees or costs greater than fees or costs WFS charges its advisory clients who were not introduced by SSB and who have similar portfolios under management with WFS.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker-dealers. However, by the ability to directly debit investment management fees, WFS is considered by the SEC to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to the account information provided by WFS.

## **Investment Discretion**

Clients may place reasonable limitations on the discretionary authority of WFS, unless limited by agreements with the custodian, subject to WFS's approval. WFS is authorized to purchase, sell, exchange, convert, exercise, or trade in stocks, bonds, mutual funds, and any other securities on each client's behalf.

## **Voting Client Securities**

WFS will not exercise proxy voting authority over client securities. Clients are instructed to inform their custodian that WFS should not be designated as the party to receive information on voting proxies. The obligation to vote client proxies shall at all times rest with clients. Clients shall in no way be precluded from contacting WFS for advice or information about a particular proxy vote. However, WFS shall not be deemed to have proxy voting authority solely as a result of providing such advice to clients. Should WFS inadvertently receive proxy voting information for a security held in clients' accounts, WFS will immediately forward such information on to clients, but will not take any further action with respect to the voting of such proxy. Upon termination of an advisory relationship, WFS shall make a good faith and reasonable attempt to forward proxy and class action information inadvertently received by WFS to the forwarding address provided by the client.

This policy does not apply, however, to consent rights that primarily entail decisions to buy or sell investments, such as tender or exchange offers, conversions, put options, or redemptions. Some custodians enable clients to give WFS authority to make decisions regarding these matters. If WFS is given such authority, such decisions, while considered not to be covered within the proxy voting policy, shall be made with the clients' best interests in mind. For those clients for which WFS is not granted such authority, WFS will have no responsibility to make decisions.

Only upon specific client request, WFS may give advice and/or assistance on class actions involving securities held by WFS clients. If requested, Relationship or Portfolio Managers will advise clients on

whether to (a) participate in a recovery achieved through class actions, or (b) opt out of the class action and separately pursue their own remedy. Our assistance can include obtaining trade confirmations and verbally assisting the client with completion of any required forms. Clients will be responsible for the submission of any forms. WFS does not serve as the lead plaintiff in class actions.

## **Financial Information**

WFS does not require prepayment of fees. WFS has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.