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

**As of March 30, 2011**

This brochure provides information about the qualifications and business practices of **Wellspring Financial Advisors, LLC**. If you have any questions about the contents of this brochure, please contact us at **216.367.0680** or [lcapuozzo@wellspringadvisorsllc.com](mailto:lcapuozzo@wellspringadvisorsllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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



## PART 2A OF FORM ADV: FIRM BROCHURE

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# ITEM 4 – ADVISORY BUSINESS

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## **4-A: DESCRIBE OUR ADVISORY FIRM AND IDENTIFY THE PRINCIPAL OWNERS:**

Wellspring is an independent personal wealth management and multi-family office that has been in business since February 2007. We offer holistic financial services to high net worth individuals and families. Our comprehensive offerings include investment advisory, income tax planning and compliance, financial and estate planning, risk management and multi-family office services.

The Directors/Shareholders of Wellspring are Michael T. Novak, Richard C. Hyde, Donna L. Thrane and Hedy T. Demsey.

## **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER:**

At Wellspring, we provide a comprehensive suite of personalized services that cover our clients' financial and non-financial needs, including:

### **Family & Life Services**

#### **Multi-family Office Services**

Many clients lack the resources to create and maintain a traditional separate family office. However, they recognize the importance of independence and objectivity associated with a family office. Wealth preservation is of utmost concern—protection from the “first generation earns it, second generation saves it and third generation loses it” phenomenon. Wellspring is a multi-family office providing a variety of financial and personal services to a multitude of affluent families and individuals. Services are tailored to meet the needs of multi-generational families. Working within a family setting and framework is a significant part of our business experience and a core competency.

#### **Family Consulting and Education**

Wealth is a responsibility—one that is not easily taught from generation to generation. At Wellspring, we work closely with our clients and their families to help improve communication among family members, educate them on their finances and assist them in developing and understanding a cohesive financial plan. We increase, and in some cases, improve the quality of dialogue regarding financial matters across the generations. We also promote a sense of involvement that encourages and incorporates input from various family members.

#### **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER (CONTINUED):**

##### **Life Planning**

Life is full of challenges—expected and unexpected, positive and negative. In addition to securing our clients' financial wellness, Wellspring can be instrumental in preparing and managing their life journey, allowing clients to transition from one stage to the next with confidence. Our familiarity with our clients' personal and financial affairs, including their attitudes and expectations, enables us to navigate life's challenges on their behalf. It is our way of helping to ensure that our clients achieve a meaningful and productive life.

##### **Personal Financial & Tax Management**

##### **Comprehensive Financial Planning**

Financial Planning involves more than just the allocation of assets and minimization of taxes. At Wellspring we follow a comprehensive, holistic approach that begins with asking a series of diverse questions regarding our clients' life plans. With this information in hand, we craft a financial strategy that incorporates a deep understanding about all aspects of their financial life and goals. When appropriate, we can coordinate this financial plan across multiple generations.

##### **Income Tax Planning, Preparation and Compliance**

Wellspring's comprehensive approach to wealth planning includes special attention to income taxes. Not only do we prepare necessary income tax returns, we also provide a tax plan that evaluates and minimizes future liability.

So many tax advisors focus on the past—preparation of income tax returns. While this is a necessity, it is the forward-looking tax planning that adds significant value to the overall financial plan. This proactive income tax planning conducted throughout the year is critical to our clients' overall comprehensive plan. Through this quarterly approach, we analyze income, deductions and tax strategies to reduce overall tax burden to our clients.

Wellspring's income tax planning, preparation and compliance services include thoughtful consideration of income taxes in the implementation of all financial, investment, retirement, wealth transfer and charitable planning. This includes:

- Income tax return preparation for all federal, state and local returns
- Income tax planning throughout the year to assess current and future liabilities to implement ideas to minimize taxes
- Preparation of federal, state and local estimated income tax vouchers and/or income tax withholding recommendations for each calendar year, as needed
- Assistance with IRS reviews and audits

#### **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER (CONTINUED):**

### **Estate and Wealth Transfer**

#### ***Individual and Family Plans***

Individuals and families often have very clear and specific intentions about how their wealth should be transferred or distributed. Unfortunately, whether the transfer is for family, charity or someone else, best-laid plans often do not reflect the most recent changes with regard to wealth, family situation and/or the tax code. At Wellspring, because we are so familiar with our clients' financial situation and estate objectives, we can help ensure the appropriate distribution of our clients' wealth. We work with our clients' existing estate attorney and help oversee the administration of their estate. Our goal is to help maximize the transfer of wealth to whomever our clients intend, in the way in which they intend.

#### ***Multi-generational Plans***

Wellspring can also coordinate estate and wealth transfer plans across multiple generations. We stress the importance of family communication as a key ingredient to any successful plan. Our involvement with the family can foster stronger and more productive communications among the generations, as well as with the family's trustees.

#### ***Wellspring's estate and wealth transfer services are coordinated with your estate attorney and include:***

- Assistance with the design and implementation of wealth transfer plans, including family and philanthropic distribution techniques
- Periodic reviews of estate tax projections, flowcharts and estate documents to ensure objectives continue to be met
- Selection of and ongoing oversight of trustees (individual or institutional)
- Administration and compliance for nonprofit entities, private foundations, charitable trusts and estates

### **Strategic Philanthropy and Administration**

At Wellspring, many of our clients believe in sharing the fruits of their financial success. We help them develop a philanthropic plan that addresses their goals and maximizes the financial benefit to them and their charities. We work with their estate counsel to develop a strategic philanthropic plan that addresses their short or long-term goals. Once established, we can also administer the plan to ensure compliance with our clients' intentions, income and estate tax law, as well as other regulatory requirements.

#### ***Wellspring's strategic philanthropy and administration services include:***

- Assistance with the operation and administration of non-profit entities, private foundations and charitable trusts
- Incorporation of income tax efficiency into the overall charitable plan
- Integration of other family members' charitable intentions into one cohesive family plan

#### **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER (CONTINUED):**

##### **Business Succession**

Wellspring has many clients who successfully run closely-held businesses and need help planning for the future. We help them make these decisions and design a plan that covers both orderly transitions of management and ownership. As in our approach to wealth management, we approach business succession planning holistically. We consider our clients' influences and goals with the succession plan, providing the foundation for future decisions.

Wellspring can help clients assess where they are, versus where they would like to be. We'll also help implement, review and rebalance the plan.

##### ***Wellspring's business succession services include:***

- Identifying a potential successor and determining the amount of future family involvement
- Fostering communication among family members regarding their interests in and ideas for the future of the family business
- Developing a plan that meets the immediate and future needs of our clients and their business
- Crafting legal documents to put the plan into practice
- Monitoring and rebalancing the business succession plan as situations and business environments change
- Assisting with the selection of advisors to address specialty areas of the plan, including compensation and rewards planning, wealth transfer techniques and corporate restructuring

##### **Risk Management**

Wellspring assists clients in identifying, assessing and managing risks. We will help in the development, implementation and ongoing review of a risk management plan. While we do not anticipate the development of a plan that will hold our clients harmless from every event possible, careful planning should mitigate some of the inherent risk that comes with considerable wealth. We will also carefully weigh the opportunity costs versus risk management and balance this comparison into our analysis. We believe in a merit-based system for selecting agents and products and we work to align our clients with the appropriate choices. We do not sell products and we do not benefit in any way when clients purchase the products we might recommend.

#### **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER (CONTINUED):**

##### ***Wellspring's risk management services include:***

- Periodic reviews of existing insurance policies (including life, disability, liability, excess liability, health, long-term care and property/casualty)
- Analysis to determine appropriate amounts of coverage as situations change
- Health insurance planning, including assistance selecting Medicare coverage and any necessary supplemental coverage
- Implementation of measures to safeguard assets and personal information from outside parties, as well as to identity theft prevention
- Education and implementation of prenuptial agreements or use of trusts for protection of children's' assets
- Review of and implementation of measures to insulate assets from creditors' claims

### **Investment Consulting**

At Wellspring, our investment advisory and risk management process starts by getting to know our clients, their families and their unique situations. We ask many questions, some which might seem unusual coming from a financial advisor. We develop a strong and thorough understanding of the things that are important to our clients today as well as their goals for the future. Throughout our relationship, we remain good listeners and work closely with our clients to adjust their investment plan as their life transitions and their goals evolve.

We subscribe to an Open Architecture investment philosophy. This means we have no compensatory relationships with any external investment providers. Our loyalty is to the client, not to investment managers. We only recommend investments that make sense for the client. Therefore, our clients can rest assured that all of our recommendations, as well as the design and implementation of their investment plan, are completely objective. We can also tailor our investment services to consider the needs of their future generations.

We believe keeping focused on a long-term horizon is the best way to approach capital markets. Occasionally adopting a contrarian point of view, while difficult, is consistent with our belief that booms follow busts and that markets invariably revert to long-term mean valuation. Periodic portfolio rebalancing to align asset allocation with a client's objectives, risk constraints, time horizon and the market's relative valuation is the greatest source of value added.

#### **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER (CONTINUED):**

We recognize that every individual, family and client's business is different in its own unique way. We deal with different strengths and challenges. This means we need to employ unique solutions to managing each investment risk scenario. We consider every aspect of our clients' situations—financial and otherwise—to provide investment plan recommendations that fit each client's needs.

We recognize all too often there is a significant difference between what an investor "makes" and what an investor "keeps." We strive for tax efficiency and attempt to minimize investor expenses in order to maximize after-tax returns. Our focus is on the long-term quality of an investment.

#### **4-C: EXPLAIN HOW WE TAILOR OUR ADVISORY SERVICES TO THE INDIVIDUAL NEEDS OF OUR CLIENTS:**

Referenced in **Item 4-B: Describe the Type of Advisory Services we Offer**

Please direct your attention to Item 4B for a thorough discussion of the development of a customized client relationship in each of our service areas.

Clients create an Investment Policy Guideline with Wellspring. This is the primary way to communicate and document any restrictions on investing in certain securities or types of securities and/or weightings to them.

#### **4-D: WRAP FEE PROGRAMS:**

Wellspring Financial Advisors, LLC, as a matter of policy and practice, does not sponsor any wrap fee program, defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

#### **4-E: ASSETS UNDER MANAGEMENT:**

ASSET TYPE	AMOUNT	NUMBER OF ACCOUNTS
NON-DISCRETIONARY	<b>636,467,166</b>	<b>331</b>
DISCRETIONARY	<b>134,128,925</b>	<b>83</b>
<b>TOTAL</b>	<b>770,596,091</b>	<b>414</b>



# ITEM 5 – FEES AND COMPENSATION

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## **5-A: Describe how we are compensated for our advisory services:**

As a fee-only advisor, we do not accept any commissions and we do not have any fee-sharing relationships with outside providers. Wellspring does not have a stated fee schedule with minimums, maximums or breakpoints. We approach fee setting with a client as we do our planning. Each client relationship is unique and is evaluated on a case-by-case basis. Different services require different rationales for establishing fees. Retainer fees are based on the complexity and needs of each client and/or their families.

## **5-B: Describe whether we deduct fees from client accounts and/or bill directly:**

Clients are charged a fixed annual retainer that is generally billed in advance on a quarterly basis beginning January 1 of each calendar year. Fees are generally negotiated at the beginning of the client relationship and adjusted bi-annually on an as needed basis.

Fees are collected in one of two ways and the client chooses which payment option best fits their needs:

- **Direct Withdrawal**
  - We will set up an automatic and/or manual debit of fees from a brokerage account selected by the client.
- **Check**
  - We will invoice the client each quarter and include a prepaid return envelope for the submission of payment.

## **5-C: Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses:**

Clients will incur the transactional costs associated with the qualified custodian and/or broker they choose and underlying expense ratios charged by mutual fund and exchange traded funds (ETFs) which hold and/or manage their assets. These fees and/or expenses will be calculated and debited directly from the clients respective accounts according to the qualified custodian, brokers' fee and/or expense schedules.

Please see **Item 12 A1-3** for more information about our brokerage relationships.

**5-D: Explain How a Client May obtain a refund if the advisory contract is terminated before the end of the billing period:**

Clients can terminate their services with Wellspring Financial Advisors, LLC, in writing, at any time during the contractual period. Prepaid fees for services rendered will be refunded within 30 days and it will be proportional to the date of their written termination notice.

**5-E.1 – E.4: Disclose if you or any of your supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds:**

Wellspring Financial Advisors, LLC nor any supervised persons of the firm accept compensation for the sale of securities or other investment products as outlined in Item 5 E.1 through E.4.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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Performance-based fees as well as side-by-side management of accounts is not applicable to Wellspring Financial Advisors, LLC as we do not serve in this capacity.

# ITEM 7 – TYPES OF CLIENTS

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Just as our client relationships are unique, so too are our parameters for starting a relationship with a client. Generally, the more complex the financial situation, the more need for assistance. Sometimes the level of complexity is directly correlated with wealth and other times it is not.

Our client relationships include, but are not limited to the following categories:

- Individuals
- High Net Worth Individuals
- Trusts
- Estates
- Entities directly related to existing clients including charitable endeavors

# ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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**8-A through 8-C: Describe the Methods of Analysis and Investment Strategies, as well as the Risk of Loss we use in formulating investment advice or managing client assets:**

Wellspring Financial Advisors, LLC offers investment advisory services to client investment accounts. These services include but are not limited to the following:

**Analysis:**

- Analyze pre-existing client risk tolerances, objectives, preferences, and time horizon
- Analyze current structure with consideration to income tax and estate tax constraints
- Analyze and review current managers and portfolio components

**Architecture:**

- Propose strategic asset allocation guidelines
- Verify likely capital additions and outflows to incorporate known existing liquidity needs

**Policy Formulation:**

- Coordinate preparation of Investment Policy Guideline
- Agree upon risk tolerances, objectives, preferences, and time horizons
- Review guidelines for selection of investment managers/funds

**Implementation:**

- Establish outside custodial relationship
- Facilitate any relationship/fund transfers
- Allocate capital along agreed upon asset allocation and manager guidelines

**Monitor/Report/Rebalance:**

- Provide ongoing review and oversight of all managers, funds and investment vehicles
- Provide periodic reports on relative and absolute performance, current asset allocation, economic conditions, capital market outlook, and tax related investment issues
- Provide recommendations for any suggested rebalancing to asset allocation
- Review Investment Policy Guideline

Our macro strategy focus is driven by four primary constraints:

- **Diversification**
- **Quality**
- **Liquidity**
- **Transparency**

These characteristics should be common to all portfolios.

A combined passive/active strategy is used with mutual funds and exchange traded funds (ETFs) being the primary vehicles used for portfolio implementation. Individual outside managers for active management are occasionally retained, primarily for customized portfolios within the fixed income asset class.

Most portfolios experience turnover with activity resulting from additions of capital, the need for distributions, or rebalancing among asset classes. There are no model portfolios and market timing is not practiced.

The focus is generally long-term in nature with attention paid to portfolio costs and tax efficiency. Tactical implementation differences between portfolios will result from differences in client objectives, differences in the tax status of the client or portfolio, and the estimated portfolio duration.

Initial and ongoing client communication is maintained to verify client risk tolerances as reflected in the Investment Policy Guideline (IPS). A distinction is made between portfolio volatility and risk. Volatility reflecting the daily movement in asset prices is expected and accepted. Risk, as described as the permanent impairment of capital, is to be avoided if possible.

# ITEM 9 – DISCIPLINARY INFORMATION

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## **9-A: Criminal and/or Civil Action in a Domestic, Foreign or Military Court:**

Not Applicable to Wellspring Financial Advisors, LLC and/or any Management Person within the firm.

## **9-B: Administrative Proceedings, SEC or any other Federal Regulatory Agency, any State Regulatory Agency or any Foreign Financial Regulatory Authority:**

Not Applicable to Wellspring Financial Advisors, LLC and/or any Management Person within the firm.

## **9-C: A Self-Regulatory Organization (SRO) proceeding:**

Not Applicable to Wellspring Financial Advisors, LLC and/or any Management Person within the firm.

# ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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**10-A: Disclose if Wellspring, or any of our Management Persons is registered, or have an application pending to register, as a Broker-Dealer or a Registered Representative of a Broker-Dealer:**

Not applicable to Wellspring Financial Advisors, LLC or any Management Person within the firm.

**10-B: Disclose if Wellspring, or any of our Management Persons is registered, or have an application pending to register as a Futures Commission Merchant, Commodity Pool Operator, a Commodity Trading Advisor, or an associated person of the foregoing entities:**

Not applicable to Wellspring Financial Advisors, LLC or any Management Person within the firm.

**10-C: Describe any relationship or arrangement that is material to our advisory business or to our clients that you or any of our Management Persons have with a Related Person in the following fields:**

Broker-Dealer, Municipal Securities Dealer, or Government Securities Dealer or Broker  
Investment Company or other pooled investment vehicle  
Other Investment Adviser or Financial Planner  
Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Advisor  
Banking or Thrift Institution  
**Accountant or Accounting Firm**  
Lawyer or Law Firm  
Insurance Company or Agency  
Pension Consultant  
Real Estate Broker or Dealer  
Sponsor or Syndicator of Limited Partnerships

Wellspring Financial Advisors, LLC contracts with **Conner & Associates, LLP**, Certified Public Accountants, as an income tax advisor, preparer, and reviewer.



**10-D: Direct and/or Indirect Compensation via the recommendation and/or selection of other Investment Advisers for Clients.**

Not applicable to Wellspring Financial Advisors, LLC or any Management Person within the firm.

# ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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## **11-A and 11-B: Briefly describe our “Code of Ethics” adopted pursuant to SEC Rule 204A-1, as well as any “conflict of interest” related to clients:**

Wellspring Financial Advisors, LLC has adopted a “Code of Ethics”, which is available to all of our clients, as well as prospective clients upon request, and includes, but is not limited to the following:

- a standard of business conduct which reflects our fiduciary obligation to our clients;
- a requirement that employees comply with applicable Federal securities laws;
- a requirement that employees submit a report of their personal securities’ holdings reports as required by law;
- a requirement and process for the reporting of any violation of our “Code of Ethics” to the appropriate person.

Wellspring Financial Advisors, LLC does not have any existing conflicts of interest with clients. Wellspring does have notes payable outstanding to three clients. The services rendered to the lenders are consistent with the services received by other clients. The interest rates and other terms of these notes are usual and customary and are documented in Wellspring’s corporate and client records.

## **11-C and 11-D: Describe the Personal Trading Procedures set in place to deal with any possible client “conflict of interest” as well as how any violations are reported:**

It is Wellspring’s policy that the following principals govern the investment activities of our supervised persons:

- The interests of client accounts will at all times be placed first
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility
- Supervised persons must not take inappropriate advantage of their positions

Wellspring Financial Advisors, LLC maintains a list of recommended securities and mutual funds. Additionally, we provide ongoing supervision of managers, funds and investment vehicles. From time to time, personnel may also purchase these recommended securities for themselves. As part of our “Code of Ethics”, these employees disclose these investments on the following reports, which are monitored and reviewed on an ongoing basis:

- **Initial Holdings Report**
  - Every supervised person shall file an initial holdings report no later than ten (10) days after the person is hired and/or becomes a supervised person
- **Quarterly Transaction Report**
  - Every supervised person must file a quarterly transaction report no later than thirty (30) days after the end of each calendar quarter
- **Annual Holdings Report**
  - Every supervised person must file an annual holdings report containing the same information required in the initial holdings report by no later than January 31 of each calendar year

***Note: "Security" means all investment instruments commonly viewed as securities, including common stock, options, warrants, rights to acquire securities and convertible instruments, as well as partnership interests, hedge funds, commodity futures contracts, securities futures products and commodity options, swaps and other derivative instruments, whether issued in a public or private placement, but does not include securities issued by the government of the United States, mutual funds, bankers' acceptances, money market funds, exchange-traded funds based on a broad securities market indexes, bank certificates of deposit, commercial paper or high-quality short-term debt instruments, including repurchase agreements.***

Although Wellspring Financial Advisors, LLC does not typically receive confidential information from portfolio companies, it maintains a "restricted securities list" for those public companies a Wellspring client is expected to have non-public information on.

We may place certain securities on a "**restricted list**", which prohibits supervised persons from personally purchasing or selling securities during any period they are listed. Securities issued by companies, which a number of supervised persons are expected to regularly have material, nonpublic information are generally placed on the restricted list.

The restricted securities list is provided to all supervised persons on an annual basis as well as when adjustments are made throughout the calendar year.

At any time a probable violation of the "**Code of Ethics**" or "**Personal Trading Procedures**" is reported to Chief Compliance Office or the Directors/Shareholders of the firm, the violation will be reviewed thoroughly to determine if it is in fact a violation and what sanctions, if any, should be imposed. Possible sanctions may include reprimands, monetary fine or assessment, or suspension or termination of employment.

# ITEM 12 – BROKERAGE PRACTICES

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**12-A: Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.**

**A.1. Research and Other Soft Dollar Benefits:**

Wellspring Financial Advisors, LLC as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

**A.2 and A.3. Brokerage for Client Referrals and Directed Brokerage:**

Wellspring Financial Advisors, LLC accepts client instructions for the selection of the client's custodian. Wellspring Financial Advisors, LLC does not direct business to a broker-dealer in exchange for client referrals.

Wellspring will undertake a due diligence process in assisting clients with the hiring of any broker or custodian. One important consideration is the fee structure. We will review the fee structure as it compares to peers in the industry as well as relative to the services provided. In addition to the review of a service providers' fee structure, we will evaluate other firm attributes. These include, but will not be limited to, their client service model, client service personnel, back office staff operations, client references, and tenure in the industry.

Wellspring Financial Advisors, LLC has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Wellspring Financial Advisors, LLC with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Wellspring Financial Advisors, LLC in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Wellspring Financial Advisors, LLC manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Wellspring Financial Advisors, LLC may contract directly.

Wellspring Financial Advisors, LLC is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

**12-B: Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating:**

Wellspring will occasionally aggregate client purchases or sales of securities. While this does not happen frequently, we do so when a security has liquidity constraints more so than other securities typically owned in client accounts. We also may aggregate orders when exiting a position across all client accounts. Wellspring carefully allocates positions and related costs accordingly.

# ITEM 13 – REVIEW OF ACCOUNTS

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## **13-A: Review of Account Procedures:**

Our account reviews are conducted periodically and include a review of assets and values plus investment performance measurements over a stated period of time.

Our account reviewers include the following individuals:

**Michael T. Novak, Managing Director**

**Accounts #50-100**

**Donna L. Thrane, Director**

**Accounts #50-100**

**Richard C. Hyde, Director**

**Accounts #50-100**

**Hedy T. Demsey, Director**

**Accounts #50-100**

Each reviewer receives guidance from Wellspring Financial Advisors' due diligence and investment consulting process.

Wellspring analyzes a client portfolio in comparison with their investment policy guideline and adjusts their portfolio allocation as appropriate.

The review of client portfolios is ongoing. It consists of an ongoing review of an approved list of funds, as well as an ongoing review of portfolio composition. A formal investment committee is convened on a monthly basis for purpose of discussing pertinent topics.

Clients are given the opportunity to indicate their preference for the frequency of a regular portfolio review. However, given the frequency of client contact and communication, the review is often continuous throughout the year.

Black Diamond is retained as an independent outside third party for the purpose of creating portfolio review statements and the calculations of portfolio performance.

There are no economic or gift arrangements with any outside parties that have any bearing on the referral of business, or the choice regarding retention of an outside manager.

There is no compensation, economic benefit, or gift benefit to anyone who might make a client referral.

## **13-B: Review of Accounts on an "other than periodic" basis:**

Non-regularly scheduled reviews may occur due to changes in the economy, equity or bond markets, geo-political climate and other factors including cash flow needs or surpluses and other client related factors.

**13-C: Describe the content and indicate the frequency of regular reports provided to the clients regarding their accounts:**

Clients receive at least annually an investment review report, which includes a recap of their assets including a description, cost basis, current value and quantity owned. The written review also includes a summary of relative and absolute performance and commentary regarding the markets and economic outlook.

# ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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**14-A: Describe any arrangement between Wellspring Financial Advisors, LLC and an individual that is not a client, but provides an economic benefit to the firm for providing investment advice or other advisory services to our clients. In addition explain any conflicts of interest and how they are addressed:**

The above is not applicable to Wellspring Financial Advisors, LLC or any Management Person within the firm.

**14-B: Describe any arrangement between Wellspring Financial Advisors, LLC and an individual that receives compensation either directly or indirectly for client referrals:**

The above is not applicable to Wellspring Financial Advisors, LLC or any Management Person within the firm.



# ITEM 15 – CUSTODY

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Wellspring Financial Advisors, LLC does maintain custody of client assets in relation to the direct debiting of advisory fees and where a related person of Wellspring Financial Advisors, LLC serves in the capacity of trustee and/or executor on accounts. Wellspring Financial Advisors, LLC will not intentionally take custody of client assets without the direct authorization and approval via the client.

Wellspring Financial Advisors, LLC has adopted various procedures to implement the firm's policy and reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate which include the following:

- Securities and funds of custodial clients are maintained with a qualified custodian(s);
- Wellspring Financial Advisors, LLC has a reasonable belief that the qualified custodian(s) holding client assets provides at least quarterly account statements directly to those client or an "independent representative" of their choosing that does not have a "control" relationship within the past two years with Wellspring Financial Advisors, LLC;
- If Wellspring Financial Advisors, LLC receives inadvertently from a client any funds or securities, these assets shall be returned to the client as soon as reasonably possible.
- No employee or supervised person of Wellspring Financial Advisors, LLC shall knowingly accept actual possession of any client funds or securities. Persons receiving a request from a client to deposit assets with a qualified custodian may assist the client to complete necessary forms and/or mailings, but shall not take actual possession of the funds or securities.

For the accounts where Wellspring Financial Advisors, LLC and/or a related person maintains custody due to a trustee and/or executorship relationship, the accounts are examined on an annual basis by an Independent CPA.

Wellspring Financial Advisors, LLC furnishes clients with ongoing performance reports, which are reconciled against the qualified custodian statements that are sent directly to the clients via the custodian.

## ITEM 16 – INVESTMENT DISCRETION

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We prefer not to have discretion, or full authority, with respect to providing investment advice. The nature of our holistic practice relies heavily on frequent client communication and we prefer that the client understand the reasons and logic for a recommended change to their portfolio. Therefore, the majority of the relationships require prior client approval before completing any transactions.

There are limited exceptions to this practice, primarily due to clients whose schedules make them unavailable during regular market and/or business hours or over extended periods of time. Another exception exists wherein a client asks an employee to perform in a fiduciary capacity regarding an account resulting in it becoming a discretionary relationship. In both circumstances, Wellspring provides confirmation of trading activity in addition to what the qualified custodian sends directly to the client. Wellspring also refers to the pre-arranged and discussed Investment Policy Guidelines in managing these discretionary accounts.

Please see **Item 17** for discussion on voting client securities.

# ITEM 17 – VOTING CLIENT SECURITIES

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**17- A and B: Describe Wellspring Financial Advisors, LLC approach to voting on client securities:**

Wellspring Financial Advisors, LLC, as a matter of policy and practice, has no authority to vote proxies on behalf of advisory clients other than where Wellspring, or a related person, has fiduciary responsibilities on accounts. Wellspring's clients receive proxy information directly from their custodians or transfer agents.

The firm may offer assistance as to proxy matters upon a client's request, but the client always retains the proxy voting responsibility. Wellspring Financial Advisors, LLC's policy of having no proxy voting responsibility is disclosed to clients.

# ITEM 18 – FINANCIAL INFORMATION

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**18-A: Disclose if Wellspring Financial Advisors, LLC requires prepayment of more than \$1,200 in fees per client, six months or more in advance and include a balance sheet for our most recent fiscal year:**

The above is not applicable to Wellspring Financial Advisors, LLC , or any Management Person of the firm, as we do not require prepayment of fees six months or more in advance.

**18-B: Disclose if Wellspring Financial Advisors, LLCs discretionary or custody accounts require prepayment of more than \$1,200 in fees per client, six months or more in advance:**

Similar to item 18-A, the above is not applicable to Wellspring Financial Advisors, LLC , or any Management Person of the firm, as we do not require prepayment of fees six months or more in advance.

**18-C: Disclose if Wellspring Financial Advisors, LLC has been the subject of a bankruptcy petition at any time during the past ten years:**

The above is not applicable to Wellspring Financial Advisors, LLC or any Management Person of the firm.