



## **BFS Wealth Management**

### **Form ADV Part 2A – Firm Brochure**

8141 East Kaiser Boulevard, Suite #300  
Anaheim Hills, CA 92808  
714-282-1566

1643 E. Bethany Home Road  
Phoenix, AZ 85016  
602-997-8882

2040 Main Street, Suite #150  
Irvine, CA 92614  
949-955-2552

[www.bfsg.com](http://www.bfsg.com)

**Dated July 31, 2017**

This Brochure provides information about the qualifications and business practices of BFSG, LLC doing business as Benefit Financial Services Group, "BFSG". If you have any questions about the contents of this Brochure, please contact us at 714-282-1566. 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.

BFSG, LLC is registered as an Investment Adviser with the Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about BFSG is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm's identification number 143617.

## Item 2: Material Changes

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This Item discussed only the material changes that have occurred since BFSG's last annual update, dated March 11, 2016.

In July 2017, investment vehicles affiliated with Stone Point Capital LLC ("Stone Point") and Kohlberg Kravis Roberts & Co. L.P. ("KKR") each made an investment in Focus Financial Partners, LLC ("Focus"). This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner of Focus. Because BFSG is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of BFSG. Items 4 and 10 have been revised to reflect this new ownership structure.

As explained in more detail in Item 4 below, on January 1, 2017, BFSG acquired the business of Pacwest Financial Management, Inc., a wealth management firm located in Phoenix, AZ ("Pacwest"). Clients of Pacwest were formally notified of the acquisition and, in most cases, assigned their advisory agreements to BFSG.

BFSG has two divisions: BFS Institutional Services and BFS Wealth Management. Pacwest operates as a unit of BFS Wealth Management, doing business as Pacwest and Pacwest, a part of the BFS Wealth Management division.

Patrick Powers is the Managing Principal of BFS Wealth Management.

Grace Lau is the President of Pacwest.

John Campbell, Rachel Fequiere, Christopher Rowey, and Darren Stewart are Principals of BFS Institutional Services. John Campbell is the Managing Principal of BFS Institutional Services.

Michael Allbee is the Chief Compliance Officer of BFSG.

BFS Institutional Services conducts its business at 2040 Main Street, Suite #150, Irvine, CA 92614. BFS Wealth Management conducts its business at 8141 East Kaiser Blvd., Suite #300, Anaheim Hills, CA 92808 and at 1643 E. Bethany Home Road, Phoenix, AZ 85016.

# Item 3: Table of Contents

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## 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 .....	11
Item 6: Performance-Based Fees and Side-By-Side Management .....	15
Item 7: Types of Clients.....	15
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	16
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 .	26
Item 12: Brokerage Practices .....	27
Item 13: Review of Accounts .....	32
Item 14: Client Referrals and Other Compensation .....	34
Item 15: Custody .....	35
Item 16: Investment Discretion .....	35
Item 17: Voting Client Securities .....	36
Item 18: Financial Information .....	37

# Item 4: Advisory Business

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## Description of Advisory Firm

BFSG, LLC, doing business as Benefits Financial Services Group, is a limited liability company formed in the State of Delaware. BFSG, LLC has been in business as an investment adviser, registered with the Securities and Exchange Commission since 2007.

The Registrant is part of the Focus Financial Partners, LLC (“Focus”) partnership. As such, BFSG is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

BFSG has two divisions that offer separate advisory services, BFS Institutional Services and BFS Wealth Management. This Form ADV Part 2A describes our BFS Wealth Management division, including Pacwest. The Form ADV Part 2A for BFS Institutional Services division is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm’s identification number 143617, or may be requested by contacting us at 714-282-1566.

As of December 31, 2016, our assets under management are \$350,522,337 and our assets under consultation are \$9,022,568,088. Assets under consultation are assets for which we provide ongoing recommendations based upon the needs of the client, as to which specific securities or other investments to make available to its plan participants.

On January 1, 2017, BFSG acquired Pacwest Financial Management, Inc. (CRD #108740) (“Pacwest”), a Phoenix-based investment advisory firm founded in 1997. Pacwest clients have assigned their advisory agreements to BFSG. Pacwest ceased doing business as an investment advisory firm and filed an ADV-W with the SEC.

In July 2017, investment vehicles affiliated with Stone Point Capital LLC (“Stone Point”) and Kohlberg Kravis Roberts & Co. L.P. (“KKR”) each made an investment in Focus Financial Partners, LLC (“Focus”). This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner in Focus. Because BFSG is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of BFSG.

## **Types of Advisory Services**

At BFS Wealth Management, we believe that through hard work, decades of experience, and precise attention to detail we can help our clients achieve their financial goals. Our commitment is to create fundamentally sound, well-constructed, diversified portfolios tailored to each client's needs and goals. Investment portfolio strategies are designed to strive to generate above market returns with below market risks. After creating a financial plan, we monitor the investments to evaluate performance against appropriate market-based benchmarks and modify each portfolio strategy as needed to support a measurable outcome.

Individual investors, employer-directed retirement plans, corporations, trust estates, and charitable trusts have all benefitted from our expertise. Through our client focused approach, we offer our clients the following advisory services:

### **Investment Portfolio Management**

We provide continuous advice regarding the investment of funds based on your individual needs. Through personal discussions in which goals and objectives based on particular circumstances are established, we develop a personal investment policy. We create a basic asset allocation and manage the portfolio based on that policy. During our data-gathering process, we determine individual objectives, time horizons, risk tolerance, and liquidity needs. We also review and discuss prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by stated objectives, as well as tax considerations. Target asset allocations range from 100% equities to 100% fixed income and may include private investments. Furthermore, Pacwest, a part of the BFS Wealth Management division, offers strategies for the equity portion of your portfolio that will emphasize either income through a dividend yielding approach or growth through a core plus approach. Our overall goal is to increase the value of your investment ("capital appreciation") while tailoring your portfolio to meet your needs and goals.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)

- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in private equity
- Non-public real estate investment trusts
- Private investments

Our investment strategies typically focus on multi capitalization publicly listed stocks (ranging from small- to large-sized companies), as well as exchange traded funds and/or mutual funds. When appropriate (i.e., depending on advisory account size) or when preferred by you, our investment strategies will utilize only exchange traded funds and/or mutual funds. Because investments involve differing degrees of risk, they will only be implemented/recommended when consistent with your stated investment objectives, tolerance for risk, liquidity and suitability.

Furthermore, riskier investments may only be available to "accredited investors", if you have a net worth of at least \$1 million (excluding your primary residence), or if you have income of \$200,000+ in each of the two most recent years or joint income of \$300,000+ and have a reasonable expectation of reaching the same income level in the current year.

We may also provide investment advice regarding unaffiliated private investment funds. Our role relative to the private investment funds shall be limited to initial and ongoing due diligence and investment monitoring services. You are under absolutely no obligation to consider or make an investment in a private investment fund(s).

### **Manager of Managers Program**

We offer advisory management services to you through our Manager of Managers Program. We perform management searches of various Independent Money Managers that may manage a portion of your portfolio.

Based on your individual circumstances and needs we will then perform management searches of various Independent Money Managers to identify which one is appropriate for you. Factors considered in making this determination include account size, risk tolerance, your consent, and the investment philosophy of the Independent Money Manager. You should refer to the selected Independent Money Manager's Form ADV Part 2A or other disclosure document for a full description of the services offered. In addition, if the investment program recommended to you is a wrap fee program sponsored by a bank, broker-dealer or other investment adviser

you will also receive the Form ADV Part 2, Appendix 1 wrap fee brochure provided by the sponsor of the program.

Once we determine the most suitable Independent Money Manager(s) for you, we provide the selected Manager(s) with your suitability information or have you complete the selected Manager(s) data gathering form. The Manager(s) then create and manage your portfolio based on your individual needs. This portfolio may be managed in the context of an aggregated, integrated portfolio, and not as a stand-alone individual portfolio.

On an ongoing basis, we monitor the performance of the Manager(s). If we determine that a particular Manager is not providing satisfactory management services to you, or is not managing your portfolio in a manner consistent with your suitability needs, then we may move your portfolio to a different Manager. Under this scenario, we retain the discretion to hire and fire the Manager.

### **Pension Consulting**

We work with various third-party administrators and based on your business's circumstances and needs, we will assist you in determining which third-party service provider's services are appropriate for implementing a retirement plan for your business. Factors considered in making this determination, include the number of participants, expected or current annual deposits, employee census, and plan type, which are discussed during our consultation. BFS Wealth Management may refer you to BFS Institutional Services for Pension Consulting services depending on the factors discussed during our consultation.

### **Discretionary Fiduciary Services**

Accept discretionary fiduciary liability within the meaning of Section 3(38) of ERISA for the investment selection and monitoring process of investment options in a retirement plan, with the exception of company stock.

### **Participant Education/Communication**

Create and deliver educational workshops and enrollment meetings for plan participants

- Create and deliver educational workshops for plan participants
- Prepare customized participant communications
- Conduct enrollment meetings

## **Financial Planning**

Financial planning is a comprehensive evaluation of your current and future financial state by using currently known variables based on information disclosed by you to predict future cash flows, asset values and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information and analysis will be considered as they impact and are impacted by your entire financial and life situation. You will receive a written or an electronic report, providing a detailed financial plan designed to achieve your stated financial goals and objectives. Please remember to contact us, in writing, if there are any changes in your personal/financial situation for the purpose of reviewing our previous recommendations.

You always have the right to decide whether or not to act upon our recommendations. If you elect to act on any of the recommendations, you always have the right to effect the transactions through anyone of your choosing.

In general, the financial plan will address any or all of the following areas of concern. We will work with you to select the specific areas to cover in order to fulfill your particular needs. These areas may include, but are not limited to, the following:

- **Business Planning:** We provide consulting services for clients who currently operate their own business, are considering starting a business, or are planning for an exit from their current business. Under this type of engagement, we work with you to assess your current situation, identify your objectives, and develop a plan aimed at achieving your goals.
- **Cash Flow and Debt Management:** We will conduct a review of your income and expenses to determine your current surplus or deficit along with advice on prioritizing how any surplus should be used or how to reduce expenses if they exceed your income. Advice may also be provided on which debts to pay off first based on factors such as the interest rate of the debt and any income tax ramifications. We may also recommend what we believe to be an appropriate cash reserve that should be considered for emergencies and other financial goals, along with a review of accounts (such as money market funds) for such reserves, plus strategies to save desired amounts.
- **College Savings:** Includes projecting the amount that will be needed to achieve college or other post-secondary education funding goals, along with advice on ways for you to save the desired amount. Recommendations as to savings strategies are included, and, if needed, we will review your financial picture as it relates to eligibility for financial aid or



the best way to contribute to grandchildren (if appropriate).

- **Employee Benefits Optimization:** We will provide review and analysis as to whether you, as an employee, are taking the maximum advantage possible of your employee benefits. If you are a business owner, we will consider and/or recommend the various benefit programs that can be structured to meet both business and personal retirement goals.
- **Estate Planning:** This usually includes an analysis of your exposure to estate taxes and your current estate plan, which may include whether you have a will, powers of attorney, trusts and other related documents. Our advice also typically includes ways for you to minimize or avoid future estate taxes by implementing appropriate estate planning strategies such as the use of applicable trusts.

We always recommend that you consult with a qualified attorney when you initiate, update, or complete estate planning activities. We may provide you with contact information for attorneys who specialize in estate planning when you wish to hire an attorney for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your attorney with your approval or request.

- **Financial Goals:** We will help you identify financial goals and develop a plan to reach them. We will identify what you plan to accomplish, what resources you will need to make it happen, how much time you will need to reach the goal, and how much you should budget for your goal.
- **Insurance:** Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

We always recommend that you consult with a qualified insurance agent before initiating any recommendations and we may provide you with contact information for insurance agents who specialize in this area if you wish to hire someone for such purposes. From time-to-time, we will participate in meetings or phone calls between you and your insurance agent with your approval or request.

- **Investment Analysis:** This may involve developing an asset allocation strategy to meet your financial goals and risk tolerance, providing information on investment vehicles and strategies, reviewing employee stock options, as well as assisting you in establishing your own investment account at a selected broker/dealer or custodian. The strategies

and types of investments we may recommend are further discussed in Item 8 of this brochure.

- **Retirement Planning:** Our retirement planning services typically include projections of your likelihood of achieving your financial goals, typically focusing on financial independence as the primary objective. For situations where projections show less than the desired results, we may make recommendations, including those that may impact the original projections by adjusting certain variables (e.g., working longer, saving more, spending less, taking more risk with investments).

If you are near retirement or already retired, advice may be given on appropriate distribution strategies to minimize the likelihood of running out of money or having to adversely alter spending during your retirement years.

- **Risk Management:** A risk management review includes an analysis of your exposure to major risks that could have a significantly adverse effect on your financial picture, such as premature death, disability, property and casualty losses, or the need for long-term care planning. Advice may be provided on ways to minimize such risks and about weighing the costs of purchasing insurance versus the benefits of doing so and, likewise, the potential cost of not purchasing insurance (“self-insuring”).
- **Tax Planning Strategies:** Advice may include ways to minimize current and future income taxes as a part of your overall financial planning picture. For example, we may make recommendations on which type of account(s) or specific investments should be owned based in part on their “tax efficiency,” with consideration that there is always a possibility of future changes to federal, state or local tax laws and rates that may affect your situation.

We recommend that you consult with a qualified tax professional before initiating any tax planning strategy, and we may provide you with contact information for accountants or attorneys who specialize in this area if you wish to hire someone for such purposes. We will participate in meetings or phone calls between you and your tax professional with your approval.

## **Educational Seminars**

We teach courses on behalf of a third-party professional fiduciary and on behalf of the California CPA Education Foundation. We develop course material on equity investing, fixed income investing, and mutual fund investing. We may invite guest speakers from unaffiliated

financial service providers to discuss certain topics covered in the course material. The courses are taught to promote financial and investment management education of attendees and for continuing education for the California CPA Education Foundation courses.

## **Client Tailored Services and Client Imposed Restrictions**

We offer the same suite of services to all of our clients. However, specific client services and their implementation are dependent upon your Investment Policy Statement, or suitability questionnaire, which outlines your current situation (income, tax levels, and risk tolerance levels) and is used to construct a specific plan to aid in the selection of a portfolio that matches your restrictions, needs, and targets. You may impose reasonable restrictions on investing in a particular security, a type of security, or industry sectors. You must notify us in writing of specific restrictions.

## **Wrap Fee Programs**

Through our Manager of Managers Program, we perform management searches of various Independent Money Managers that may manage a portion of your portfolio and may be a wrap fee program. In a wrap fee arrangement, you pay a single fee for advisory, brokerage and custodial services. Your portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, you should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in your account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. If the investment program recommended to you is a wrap fee program sponsored by a bank, broker-dealer or other investment adviser you will receive the Form ADV Part 2, Appendix 1 wrap fee brochure provided by the sponsor of the program.

## **Other Advisory Services**

Services described in this Form ADV Part 2A are services offered through our BFS Wealth Management division. For a complete description of all of our advisory services offered by BFSG, please review the Form ADV Part 2A for BFS Institutional Services division as well.

# **Item 5: Fees and Compensation**

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How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

## Investment Portfolio Management Fees

Our annual fees for Investment Portfolio Management Services are based upon a percentage of assets under management and generally range from **0.50%** to **1.35%** depending on the scope of the services to be provided, the investment strategies implemented (individual publicly listed stocks versus exchange traded funds and/or mutual fund only strategies) and the complexity of your financial situation. A total minimum fee of up to **\$5,500/year** is required for this service. We do not have a minimum account size for maintaining an account. In a few special situations the fees can exceed 1.35% due to the minimum fee charged as a percentage of the assets under management. We may bill on assets under management held away from the recommended qualified custodian. The specific annual fee schedule and minimum fee is identified in the contract between us and you. No increase in the annual fee percentage shall be effective without prior written notification to you.

*Limited Negotiability of Advisory Fees:* We retain the discretion to negotiate fees on a client-by-client basis and to waive minimum fees. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm. We may group certain related client accounts for the purposes of determining the annualized fee. This consolidation practice is designed to allow clients the benefit of an increased asset total which could potentially reduce the advisory fee based on the breakpoints available as identified in the contract between us and you. Advisory fees will vary among clients.

Fees are generally paid quarterly in advance unless you are a client of Pacwest, where fees are paid quarterly in arrears. You will be given an invoice at the end of each quarter for investment portfolio management services provided. Fees will be automatically deducted from your account each quarter with your written consent. In certain instances, such as when your account is a retirement plan, we may bill you so as not to use assets in deferred tax accounts for fees. Fees are due within the first 10 business days of the calendar quarter, and are based on your account's asset value as of the last business day of the prior calendar quarter. Securities not traded on such date will be valued at the last sale price prior to the valuation date. Any unlisted stock regularly traded in the over-the-counter market will be valued at the last bid price quotation on the valuation date furnished to us by sources we may deem appropriate. Any other security not readily valued will be valued as determined by us, in good faith, to reflect the most current fair market value.

Fees are prorated for accounts opened during the quarter based on the number of days that the account was open during the quarter as specified in the contract between us and you.

### **Manager of Manager Fees**

We may pay selected manager(s) directly out of the management fees paid by you, without charging additional fees for their management. If you participate in separately managed account programs, you may be charged various program fees in addition to the advisory fee charged by our firm. Please refer to the management fee schedule for the fees and additional information. Fees are paid quarterly in advance. Fees will be automatically deducted from your account(s) each quarter.

A minimum of **\$1,000,000** of assets under management is required for this service. This account size may be negotiable under certain circumstances. We may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. We do not control the fees or the billing arrangements of certain selected managers. For a complete description of the fee arrangement including billing practices, minimum account requirements and account termination provisions, you should review the selected manager's Form ADV Part 2A or other disclosure document.

### **Pension Consulting Fees**

Our Pension Consulting fee ranges from 1 – 50 bps on plan assets per year and is paid monthly in arrears. Our fees for such Pension Consulting services are paid to us by the referred third-party service provider, who shares with our firm a percentage of the fees received from you. Your fees are not increased in any way as a result of our referral to the third-party service provider.

You will receive a separate disclosure document describing the fee paid to us by such third-party service provider. You should refer to the third-party service providers' disclosure document for information regarding its fees, billing practices, minimum required investments and termination of pension consulting agreements.

### **Financial Planning Hourly Fee**

Our Financial Planning fee is determined based on the nature of the services being provided and the complexity of your circumstances. All fees are agreed upon prior to entering into a contract with you.

Our Financial Planning fees are calculated and charged on an hourly basis and are billed at a rate of \$150-\$300 per hour, subject to negotiation, depending on the complexity of the Financial Plan. Although the length of time it will take to provide a Financial Plan will depend on

your personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. A \$1000 deposit or a deposit equal to two hours may be required depending on the amount of necessary up-front work to be completed (data gathering, interviews, etc.) as specified in the contract with you. Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance for services rendered.

We consider fees for financial planning to be earned as progress is realized toward creation of the plan or completion of the service. You will be billed monthly in arrears based on actual hours accrued. Any balance is due 30 days after completion of the services.

*Financial Planning Fee Offset:* We reserve the discretion to reduce or waive the hourly fee if you choose to engage us for our Portfolio Management Services.

## **Educational Seminars**

We volunteer to teach the educational courses for the professional fiduciary and receive no direct compensation from attendees or from the third-party financial service providers. We are paid to teach the courses for the California CPA Education Foundation and also receive reimbursement for travel related expenses from the California CPA Education Foundation. We receive no direct compensation from attendees. We may be referred prospects from the CPA's attending the California CPA Education Foundation educational courses.

## **Termination of the Advisory Relationship**

You will have a period of five (5) business days from the date of signing the client agreement to terminate the agreement and receive a full refund of all fees. Thereafter, a client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Pacwest, a part of the BFS Wealth Management division, reserves the right to accept or provide 10 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period plus the notification period from the receipt of the written termination notice. If you terminate within 12 months of the date of signing the client agreement, Pacwest reserves the right to collect fees for the remainder of such initial 12-month period in accordance with the provisions of the management agreement, without further notice to or consent from you.

You will have a period of five (5) business days from the date of signing a financial planning agreement to terminate the agreement and receive a full refund of all fees. Thereafter, a financial planning agreement may be canceled at any time, by either party, for any reason upon

receipt of written notice. In the event of termination, all fees for bona-fide financial planning services rendered shall be due and payable by you.

## **Other Types of Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

When determining an exchange traded fund and/or mutual fund investment for a client, we will review associated costs of all available share classes, consider the level of expected trading for the client, and conduct a reasoned analysis of which class of fund is best for the client overall as part of our best execution analysis. Over time additional share classes may become available. We will conduct a quarterly review of existing positions to determine if a share class exchange is in the best interest of the client. We do not 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. We do not offer proprietary products or receive third party payments with respect to the investment advice provided.

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

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We do not offer performance-based fees.

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

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We provide advisory services to individuals, high net-worth individuals, pooled investment vehicles, pension and profit sharing plans, charitable organizations, and corporations or other businesses.

As previously disclosed in Item 5, we do not have a minimum account size as a requirement for opening or maintaining an account. However, we do have a minimum account fee that could make smaller sized accounts less economical for clients based on the nature of the service(s) being provided.

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

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### Methods of Analysis

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

**Cyclical analysis** is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical



analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Charting analysis** involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Charts may not accurately predict future price movements. Current prices of securities may not reflect all information about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Qualitative Analysis** is the subjective evaluation of non-quantifiable factors (not readily subject to measurement) such as quality of management, labor relations, and strength of research and development, and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Mutual Fund and/or Exchange-Traded Fund Analysis** involves analyzing funds from both a qualitative and quantitative perspective based on historical and present data. Quantitative criteria may include analysis of absolute and risk-adjusted performance, style metrics, and expenses. Qualitative criteria may include consideration of asset base, average credit quality, individual holding concentration, portfolio turnover, median market capitalization, fund philosophy, and fund management. A risk of fund analysis is that, as in all securities investments, past performance does not guarantee future results. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund, which could make the holding(s) less suitable for your portfolio.

**Asset Allocation** is the attempt to identify an appropriate ratio of equities, fixed income, and cash suitable to your investment goals and risk tolerance. A risk of asset allocation is that you may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for your goals.

**Independent Money Manager Analysis:** As discussed in Item 4, we utilize independent money managers for our clients in the Manager of Managers program. Our analysis of independent money managers involve the examination of the experience, expertise, investment philosophies, and past performance of the independent money managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. A risk of investing with an independent money manager who has been successful in the past is that he/she may

not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an independent money manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory, or reputational deficiencies.

## Investment Strategies We Use

We use the following strategies in managing your accounts, provided that such strategies are appropriate to your needs and consistent with your investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases:** We purchase securities with the idea of holding them in your account(s) for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current valuation or projection for this asset class.

A risk in a long-term purchase strategy is that by holding the security for an extended length of time, we may not take advantage of short-term gains that could be profitable to you. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. As this is our primary strategy, we recommend you view investment performance over a full economic or market cycle, a time horizon of at least five to seven years.

**Short-term purchases:** When using this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading:** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings and/or to hedge your portfolio as a risk management strategy. A risk in a trading strategy is that during times of stress security markets can be extremely volatile and a security may decline sharply in value before we make the decision to sell. In addition investment performance may be affected through increased brokerage and other transaction costs and taxes.

**Short sales:** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to

the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, your account realizes the profit. Short sale strategies are typically used to hedge market volatility during times of market stress.

**Margin transactions:** We will purchase stocks for your portfolio with money borrowed from your brokerage account (leverage). This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. Use of leverage by us will be infrequent. Certain products that we may use or offer may use leverage or derivatives and may include the following risks:

- The instrument used may be exposed to potentially dramatic changes (losses or gains) in value;
- Losses may exceed the amounts invested in those instruments; and/or
- The use of such instruments may result in imperfect correlation between the value of the instruments and the referenced index, which may prevent us from achieving our objective for using the instrument.

## Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

**Aggregated Portfolio Management:** When you have more than one account you own or in which you have a material beneficial financial interest, it is generally recommended that the accounts be managed in the context of an aggregated, integrated portfolio, and not as stand-alone individual portfolios. The purpose of this is to attempt to optimize aggregate portfolio results, improve tax efficiency, minimize portfolio turnover, and control expenses. The risk to this strategy includes returns that may vary materially in individual accounts because we will allocate assets to individual accounts as we see fit in your best interest.

**Client Investment Objectives and Strategies:** Clients' investments and investment returns typically will vary due to different client investment objectives and strategies. Conflicts may stem from clients' differing client investment objectives and strategies (e.g., certain client accounts may hold individual stocks while others may hold only mutual funds, or, certain client accounts may engage in short selling while others hold long positions only). We carefully manage your account based on your investment objective.

## **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Private Investment Funds** generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to you for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. You will be required to complete a subscription agreement, pursuant to establishment that you are an accredited investor, and acknowledge and accept the various risk factors that are associated with such an investment.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the

level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which client's invest.

## Item 9: Disciplinary Information

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### **Criminal or Civil Actions**

We have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

We have not been involved in administrative enforcement proceedings.

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

We have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of BFSG or the integrity of its management.

## Item 10: Other Financial Industry Activities and Affiliations

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### **Focus Financial Partners, LLC**

BFSG is part of the Focus Financial Partners, LLC ("Focus") partnership. As such, BFSG, LLC is a wholly-owned subsidiary of Focus Operating, LLC ("Focus Operating"), which is a wholly-owned subsidiary of Focus. Focus owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the "Focus Partners"). The Focus Partners provide wealth management, benefit and investment consulting services, serving individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or investment companies as disclosed on their respective Form ADV.

As noted above in response to Item 4, in July 2017, investment vehicles affiliated with Stone Point and KKR each made an investment in Focus. This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner in Focus. Because BFSG is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of BFSG. None of KKR, Stone Point, or any of their affiliates participates in the management or investment recommendations of our business.

BFSG's clients are not solicited to invest in any other Focus Partners' advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus partner firms, unless so disclosed on their respective Form ADVs and with the client's informed consent, nor are any transactions executed through another Focus Partner's affiliated broker-dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent.

BFSG does not believe the Focus Partnership presents a conflict of interest with our clients. BFSG has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

Additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

## **BFSG, LLC Management Companies**

Pursuant to management agreements (the "Management Agreements") between BFSG, LLC, Focus and each of Retirement Plan Consulting Group, LLC and Diamond Hill 1950, LLC (the "Management Companies"), respectively, the Management Companies have agreed to provide persons to serve as officers of BFSG, LLC who, in such capacity, will be responsible for the management, supervision and oversight of BFSG, LLC. John Campbell, Patrick Powers, Rachel Fequiere, Christopher Rowey, and Darren Stewart are the managing members of Retirement Plan Consulting Group, LLC. Grace Lau is the managing member of Diamond Hill 1950, LLC. The Management Companies do not provide investment advisory services. Management of other Focus Partners is not involved in the management of BFSG.

## **Pooled Investment Vehicle**

Patrick D. Powers, Managing Principal and Chief Investment Officer of BFS Wealth Management, is a limited partner in a limited partnership ("LP") formed for investment purposes. The LP was formed for the benefit of the family of Patrick D. Powers. Clients are not solicited to invest in the LP. The LP may own an interest in or buy or sell for its account(s), the same securities which may be purchased or sold in the accounts of clients. The LP account(s) may be included within an aggregated order. For purposes of our Code of Ethics, described

below in Item 11, we consider the LP an “employee account”. We have established written policies and procedures for employee trading that state clients should be receiving terms as favorable as or better than employees.

### **Investment Vehicles Managed and/or Sponsored by Stone Point or KKR**

BFSG may in the future recommend, that clients invest in products or investment vehicles managed and/or sponsored directly by Stone Point, or KKR, or one of their respective affiliates (each vehicle, an “Owner-Affiliated Fund”). Any fees charged by Owner-Affiliated Funds will be paid indirectly or directly to Stone Point, or KKR, or their affiliates. Because Stone Point and KKR are each indirect owners of BFSG, Stone Point, KKR, and/or their affiliates will benefit financially if BFSG recommends investments in the Owner-Affiliated Funds.

To mitigate the conflicts of interest that arise out of investments in Owner-Affiliated Funds, BFSG will only recommend such investments if they are in the best interests of the relevant client. In addition, prior to making an investment on behalf of a client in an Owner-Affiliated Fund that is managed or sponsored directly by Stone Point and/or one of its affiliates, BFSG will require the client to provide consent and will provide the client with additional disclosures concerning the conflicts of interest noted above.

### **Recommendations or Selections of Third-Party Managers**

As described in Item 4, under our Manager of Managers program we utilize third-party managers’ that may manage a portion of your portfolio. We may pay selected manager(s) directly out of the management fees paid by you, without charging additional fees for their management. If you participate in wrap-fee program, you may be charged various program fees in addition to the advisory fee charged by our firm. As our working relationships with other registered investment advisers may present potential conflicts of interest, we have established written policies and procedures for employee trading that prohibits our firm, and any other member, officer, or employee of our firm, from buying and selling securities bought or sold by the other registered investment advisers without pre-approval.

### **Chelsea Management Company, Inc.**

Patrick D. Powers, Managing Principal and Chief Investment Officer of BFS Wealth Management, participates in the investment committee meetings of Chelsea Management Company, Inc. (“CMC”), a registered investment adviser. There are no referral arrangements between our firm and CMC. None of our clients are obligated to use the advisory services of CMC, and no CMC advisory client is obligated to use our advisory services. We do not receive any compensation from CMC. We may occasionally trade the same or similar securities in your portfolios that are traded by CMC in its client portfolios. As our working relationships with



other registered investment advisers may present potential conflicts of interest, we have established written policies and procedures for employee trading that prohibits our firm, and any other member, officer, or employee of our firm, from buying and selling securities bought or sold by the other registered investment advisers without pre-approval.

## **Recommendations or Selections of Third-Party Service Providers**

As described in Item 4, under our Pension Consulting program we utilize third-party service providers to implement retirement plans for your business. In such circumstances, we will share in the third-party service provider's fee. Our fees for such Pension Consulting services are paid to us by the referred third-party service provider, who shares with our firm a percentage of the fees received from you. Your fees are not increased in any way as a result of our referral to the third-party service provider.

Compensation we receive may differ depending on the compensation arrangement with each third-party service provider. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third-party service provider and our compensation can vary depending on which third-party service provider is used. However, when recommending third-party service providers to a client, the client's best interest will be the main determining factor for us. This relationship is disclosed to the client at the commencement of the Pension Consulting relationship. You are not obligated, contractually or otherwise, to use the services of any third-party service provider we recommend.

## **National Advisors Trust Company ("NATCO")**

Pacwest's President, Grace Y. Lau, has a minority ownership interest in a savings and loan holding company, National Advisors Holding, Inc., a Delaware Corporation that formed a federally chartered trust company, National Advisors Trust Company ("NATCO"). NATCO is regulated by the Office of Thrift Supervision. The trust company provides a low cost alternative to traditional trust service providers, and Pacwest refers clients to NATCO for trust, custody, and brokerage services. Moreover, NATCO uses the services of Fidelity Investments Institutional Brokerage and SunGuard Institutional Brokerage, Inc.'s equity and fixed income platforms to execute client's securities transactions. Grace Y. Lau maintains less than 5% ownership interest in National Advisors Holdings, Inc.

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

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

## **Code of Ethics Description**

Our firm has established a Code of Ethics which applies to all of our associated persons. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics, which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request. Requests for a copy of our Code of Ethics may be sent to the Chief Compliance Officer at 8141 East Kaiser Blvd., Suite 300, Anaheim Hills CA 92808.

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

Neither our firm, its associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

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

Our firm and its “related persons” may buy or sell securities similar to, or different from, those we recommend to clients for their accounts. In an effort to reduce or eliminate certain conflicts of interest involving the firm or personal trading, our policy may require that we restrict or prohibit associates’ transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm principal in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

# **Item 12: Brokerage Practices**

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## **Factors Used to Select Custodians and/or Broker-Dealers**

BFS Wealth Management does not maintain custody of your assets that we manage or on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 - Custody). Your assets must be maintained in an account at a “qualified custodian”, generally a broker-dealer or bank.

We recommend that our clients use Charles Schwab & Co., Inc. (“Schwab”) and/or Fidelity Institutional Brokerage Group, Inc. (“Fidelity”), registered broker-dealers and members SIPC, as the qualified custodians. We are independently owned and operated and are not affiliated with Schwab or Fidelity. In addition, Pacwest may recommend the use of National Advisors Trust Company (“NATCO”) for certain trust, custody, and brokerage services. As previously disclosed (see Item 10 – Other Financial Industry Activities and Affiliations), Grace Y. Lau has a minority ownership interest in National Advisors Holdings, Inc. a Delaware corporation that owns NATCO.

The qualified custodians will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab, Fidelity, and/or NATCO as your custodian/broker(s), you will decide whether to do so and will open your account with the qualified custodian(s) by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

Although we recommend that clients establish accounts at Schwab, Fidelity, and/or NATCO, it is your decision to custody assets with them. You will be responsible for negotiating the terms and arrangements for your account(s) with a client specified brokerage account. If you direct brokerage it may be more costly as we may be unable to achieve most favorable execution of your transactions. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transactions costs, or you may receive less favorable prices.

Even though your account is maintained at Schwab, Fidelity, and/or NATCO, we can still use other brokers to execute trades for your account as described below (see "Your Brokerage and Custody Costs").

### **Other Compensation**

We receive an economic benefit from the brokerage firms (i.e., Schwab, Fidelity, among others) in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts with them. The availability to us of the brokerage firms' products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Our firm and/or our officers and representatives are eligible to receive gifts and entertainment for using certain investment products. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving gifts and entertainment creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Our firm's Code of Ethics addresses gifts and entertainment and the overriding principle is that supervised persons should not accept inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel obligated to a person or firm. We require all supervised persons to report gifts and entertainment to the Chief Compliance Officer or President and require clearance.

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your 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:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
2. Capability to execute, clear, and settle trades (buy and sell securities for your account);

3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, etc.);
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
5. Availability of investment research and tools that assist us in making investment decisions;
6. Ability to provide necessary performance reporting;
7. Quality of services;
8. Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
9. Reputation, financial strength, and stability;
10. Prior service to us and our other clients; and
11. Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us”)

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab, Fidelity, and/or NATCO maintains, they generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that are executed or that settle into your account.

Schwab's commission rates and asset-based fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be otherwise.

### **Products and Services Available to Us**

Schwab Advisor Services™ (formerly called Schwab Institutional©) and Fidelity Institutional Wealth Services are the brokerage firms business divisions that serves independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage: trading, custody, reporting, trust services, charitable services, and related services. Many of these are not typically available to retail customers. 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's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Fidelity's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long

as our clients collectively maintain a total of at least \$15 million of their assets in accounts at Fidelity. If our clients collectively have less than \$15 million in assets at Fidelity, Fidelity may charge us quarterly service fees of \$2,500.

Following is more a detailed description of the brokerage firms support services:

*Services That Benefit You.* Schwab's and Fidelity's institutional 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 initial investment by our clients. Schwab's and Fidelity's services described in this paragraph generally benefit you and your account.

*Services That May Not Directly Benefit You.* Schwab and Fidelity also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's 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, including accounts not maintained at Schwab or Fidelity. We do not seek to allocate the benefits to client's accounts proportionately. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

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

*Services That Generally Benefit Only Us.* Schwab and Fidelity also offer other services intended to help us manage and further develop our business enterprise. These services include:

1. Educational conferences and events;
2. Consulting on technology, compliance, legal, and business needs;
3. Publications and conferences on practice management and business succession; and
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab and Fidelity may provide some of these services themselves. In other cases, they 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 for our personnel or in the sponsorship of client events from time to time.

We may also use services from directed brokers/custodians that may or may not directly benefit you and/or benefit us only. The services described above from Schwab and Fidelity would be similar to those received from directed brokers/custodians.

*Our Interest in Schwab's and Fidelity's Services.* In evaluating whether to recommend that clients custody their assets at Schwab and/or Fidelity, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by them, which may create a potential conflict of interest as you may pay less for these services elsewhere.

The availability of these services from them benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab and we don't have to pay for Fidelity's services so long as our clients collectively keep a total of at least \$15 million of their assets in accounts at Fidelity. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab or Fidelity in trading commissions or assets in custody. The minimums may give us an incentive to recommend that you maintain your account with Schwab and/or Fidelity, based on our interest in receiving their services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

Our selection is primarily supported by the scope, quality, and price of Schwab's and Fidelity's services (see "How We Select Brokers/Custodians") and not Schwab's and Fidelity's services that benefit only us. Schwab's and Fidelity's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **Trade Errors**

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer that has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, then it is not permissible for you to retain the gain, or we confer with you and you decide

to forego the gain (e.g., due to tax reasons). We may not benefit from trade errors that result in the purchase of securities that increase in value.

If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Aggregated Trades**

We will block trades (aggregate trades) where possible and when advantageous to clients. The various offices of BFS Wealth Management operate trading desks that are separate from each other and these trading desks do not aggregate or allocate and do not attempt to coordinate or rotate the trades among the groups of clients each office serves.

The blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block trade.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. When we cannot block trade or it is not advantageous to our clients, you may therefore pay higher brokerage costs.

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

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### **Investment Portfolio Management**

*Reviews:* While the underlying securities within Investment Portfolio Management Services accounts are continually monitored, these accounts are reviewed no less than annually. Accounts are reviewed in the context of your stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in your individual circumstances, frequent deposits or withdrawals from the account(s), or the market, political or economic environments. We may deviate from stated investment objectives and guidelines as market conditions warrant for short-periods of time in an effort to improve portfolio performance.

These accounts are reviewed by: Mr. Powers, Managing Principal, Ms. Lau, President of Pacwest, Mr. Kauffman, Senior Portfolio Manager, Mr. Allbee, Senior Portfolio Manager, and



Mr. Blom, Senior Wealth Advisor. There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* In addition to the monthly statements and confirmations of transactions that you receive from your broker-dealer, we provide quarterly written reports summarizing account performance, balances and holdings. We urge you to compare these reports against the account statements they receive from their custodian.

## **Managers of Managers Program**

*Reviews:* The performance of the registered investment adviser(s) selected to manage client portfolios within our Manager of Managers Program is continually monitored by our firm. Furthermore, accounts within this program are formally reviewed no less than annually. More frequent reviews may be triggered by material changes in your individual circumstances, frequent deposits or withdrawals from the account(s), or the market, political or economic environment.

These accounts are reviewed by: Mr. Powers, Managing Principal and Chief Investment Officer and Mr. Allbee, Senior Portfolio Manager. There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* In addition to the monthly statements and confirmations of transactions that you receive from the respective broker-dealer, the Independent Money Manager may provide you with written quarterly performance reports. Unless otherwise contracted for, we do not typically provide additional reports.

## **Financial Planning**

*Reviews:* While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for you unless otherwise agreed upon by you and us.

*Reports:* You will receive a completed financial plan, according to the scope agreed upon. Additional reports will not typically be provided unless otherwise agreed upon by you and us.

# Item 14: Client Referrals and Other Compensation

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## **Client Referrals**

BFS Wealth Management has arrangements in place with certain third parties (“Solicitors”) whereby we provide compensation for client referrals. Specifically, BFS Wealth Management has entered into a solicitation agreement with Gabriel Bergman. Solicitation arrangements inherently give rise to potential conflicts of interest because the Solicitor is receiving an economic benefit for the recommendation of advisory services. BFS Wealth Management addresses these conflicts through this disclosure. If a client is introduced to BFS Wealth Management by a Solicitor, we may pay that Solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any referral fees incurred for successful solicitations are paid solely from BFS Wealth Management’s investment management fee, and do not result in any additional charge to the client. Whenever we are introduced to you by a Solicitor, we require the Solicitor to provide you with a copy of this document (our Firm Brochure) and a separate disclosure statement which meets the requirements of Rule 204-3 of the Advisers Act that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral. Each Solicitor will enter into an agreement with our firm in accordance and compliance with the provisions of Rule 206(4)-3 of the Investment Advisors Act of 1940.

## **Other Compensation**

We receive an economic benefit from Schwab and Fidelity in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts with them. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The

availability to us of Schwab's and Fidelity's products and services are not based on us giving particular investment advice, such as buying particular securities for our clients.

## Item 15: Custody

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BFS Wealth Management does not accept custody of client funds. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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You may hire us to provide discretionary asset management services, in which case we place trades in your account(s) without contacting you prior to each trade to obtain your permission.

Our discretionary authority includes the ability to do the following without contacting you:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

You give us discretionary authority when you sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. You may also change/amend such limitations by once again providing us with written instructions. Discretionary accounts and/or trades may be traded first, resulting in a difference in price and execution costs.

If you wish to hold a security against our advice in a discretionary account, we will view these separately, and we will not include their performance in reported performance reports. We may charge management fees on these assets.

When you enter into a non-discretionary arrangement with us, we will obtain your approval prior to the execution of a trade.

### ***Manager of Managers Program***

As previously disclosed in Item 4 of this brochure, we do not "manage" certain client portfolios in the traditional sense of the definition, rather we manage the managers of your portfolios within this program. Accordingly, clients participating in this program grant us authority to hire and fire the selected manager(s) managing your accounts.

You give us this authority when you sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. You may change/amend these limitations by once again providing us with written instructions.

## Item 17: Voting Client Securities

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We vote proxies for some, but not all of our clients. Pacwest, a part of the BFS Wealth Management division, does not vote proxies. You always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account. We will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. We vote proxies in a manner designed to promote shareholders' best interests. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how our firm voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify you of the conflict and may seek to retain an independent third-party to cast a vote or will abstain from voting the proxy.

You may obtain a copy of our complete proxy voting policies and procedures by contacting our Chief Compliance Officer, Mr. Allbee, by telephone, email, or in writing. You may request, in writing, information on how proxies for your shares were voted. If you request a copy of our complete proxy policies and procedures or how we voted proxies for your account(s), we will promptly provide such information to you. We will neither advise nor act on behalf of you in legal proceedings involving companies whose securities are held in your account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, you may direct us to transmit copies of class action notices to you or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices promptly. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, you should contact our Chief Compliance Officer, Mr. Allbee, by telephone, email, or in writing.

We do not vote proxies for non-discretionary accounts and securities.

For accounts and securities where we do not vote proxies, our firm may provide investment advisory services relative to your investment assets. You maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. You

are responsible for instructing each custodian of the assets to forward to you copies of all proxies and shareholder communications relating to your investment assets.

## Item 18: Financial Information

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We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding. We do not have custody of client funds or securities or require or solicit prepayment of more than \$1,200 in fees per client six months in advance.