

## Item 1 – Cover Page

### **NBS Financial Services, Inc.**

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Date of Brochure: March 2020

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This brochure provides information about the qualifications and business practices of NBS Financial Services, Inc. If you have any questions about the contents of this brochure, please contact Susan Crossan at 805-497-2497 extension 238 or at [susan@nbscompanies.com](mailto:susan@nbscompanies.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 NBS Financial Services, Inc., Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our firm name NBS Financial Services, Inc., Inc. or by our firm CRD number **110600**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that NBS Financial Services, Inc. provides to clients as required by applicable rules and regulations. This Disclosure Brochure dated March 2011, prepared according to the new requirements and rules, was mailed in its entirety to all our clients April 2011.

In the past our firm has offered to deliver information about our qualifications and business practices in the form of our updated ADV, to clients on at least an annual basis. Pursuant to new rules, we will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

The following items represent the material changes made to our Disclosure Brochure dated March 2020. If you would like a complete copy of our Form ADV 2A Disclosure Brochure, you can call Susan Crossan at 805-497-2497 ext. 238, or make your request via email at [susan@nbscompanies.com](mailto:susan@nbscompanies.com).

## **Item 4 Client Assets Managed by NBS Financial Services, Inc.**

The amount of clients assets managed by NBS Financial Services, Inc. totaled \$257,445,810 as of December 31, 2019. \$254,158,393 is managed on a discretionary basis and \$3,287,417 is managed on a non-discretionary basis.

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#### **Item 4 – Advisory Business**

NBS Financial Services, Inc. is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a corporation formed under the laws of the State of California.

Joseph “Geordie” Crossan is the President and Owner of NBS Financial Services, Inc.

NBS Financial Services, Inc., Inc. has been registered as an investment advisor with the SEC since May 1984.

##### **General Description of Primary Advisory Services**

We are in the business of advising clients who want to develop and implement an intelligent, effective long-term investment strategy, customized to their personal goals and resources.

The following are brief descriptions of the primary advisory services of NBS Financial Services, Inc. A more detailed description of our advisory services is provided in *Item 5 – Fees and Compensation* so that clients and prospective clients can review the description of services and description of fees in a side-by-side manner.

**Financial Planning Services** - NBS Financial Services, Inc. provides advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client’s overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and to help clients set financial objectives.

**Asset Management Services** - NBS Financial Services, Inc. provides advisory services in the form of asset management services through our Asset Allocation and Portfolio Management Program. Asset management services involve providing clients with continuous and on-going supervision over client accounts. This means that NBS Financial Services, Inc. will continuously monitor a client’s account and make trades in client accounts when necessary.

**Outside Money Managers** - NBS Financial Services, Inc. provides advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

##### **Specialization.**

The firm specializes in Retirement Planning, which is our process of planning for retirement specifically in terms of developing a comprehensive retirement plan. We use Monte Carlo modeling to run thousands of simulations based on many crucial factors such as multiple income sources, risk tolerance, market volatility, tax efficient disbursement, changing income needs over time, varied inflation rates, and required minimum distributions from IRAs. This tool helps to increase the transparency of the retirement process and provides a framework for open and honest discussion on the realities of retirement.

### **Limits Advice to Certain Types of Investments.**

NBS Financial Services, Inc. provides investment advice on the following types of investments:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable and fixed annuities
- United States government securities
- Options contracts on securities
- Real Estate Investment Trusts (REITs)

NBS Financial Services, Inc. does not provide advice on options contracts on commodities; futures contracts on tangibles and intangibles; interests in partnerships investing in real estate or oil and gas interests, and hedge funds; and other types of private (i.e. non-registered) securities.

When providing Asset Allocation and Portfolio Management Services, NBS Financial Services, Inc. typically constructs each client's account holdings using mutual funds, equities, and individual bonds to build diversified portfolios. It is not our typical investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on a client's risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. *(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Tailor Advisory Services to Individual Needs of Clients**

The services of NBS Financial Services, Inc. are always provided based on the individual needs of each client. This means, for example, that the client is given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

### **Client Assets Managed by NBS Financial Services, Inc.**

The amount of clients assets managed by NBS Financial Services, Inc. totaled \$257,445,810 as of December 31, 2019. \$254,158,393 is managed on a discretionary basis and \$3,287,417 is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provide in *Item 4 – Advisory Business*, this section provides additional details regarding our firm’s advisory services along with descriptions of each service’s fees and compensation arrangements.

### **Asset Allocation and Portfolio Management Program**

NBS Financial Services, Inc. provides investment supervisory services within our Asset Allocation and Portfolio Management Program. Asset Allocation focuses attention on the overall composition of the portfolio rather than the traditional method of analyzing and evaluation the individual components. Asset Allocation is the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching potential rates to the client’s tolerance for risk. As your advisor, we examine and design portfolios on individual client risk-reward parameters and on portfolio objectives. Our Asset Allocation and Portfolio Management program typically includes financial planning services, and we generally will use the traditional six-step planning process for clients who have executed an agreement for our Asset Allocation and Portfolio Management Program services.

Within this program we employ modern portfolio theory, which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. Our process may include one or all of the following approaches: Strategic Asset Allocation which is the process of determining within a portfolio the target long term allocations to the available asset classes, and Dynamic Asset Allocation wherein the asset mix may be modified in tune with prevailing market conditions most often to protect the portfolio.

To provide the investment supervisory services within our Asset Allocation and Portfolio Management Program, we utilize integrated investment systems which include computer models and ancillary services required to develop and manage the client’s portfolio in a sophisticated asset allocation program.

### **Recommendation of Outside Money Managers**

In addition, as part of our Asset Allocation and Portfolio Management Program, NBS Financial Services, Inc. may refer part or all of a client’s assets to non-affiliated portfolio managers (Outside Money Managers), who are also a Registered Investment Advisor. When NBS Financial Services, Inc. recommends client assets for management by an Outside Money Manager, clients are charged the normal advisory fee charged by NBS Financial Services, Inc. as well as the agreed upon charge between the client and the Outside Money Manager. NBS Financial Services, Inc. reviews and monitors the performance of the Outside Money Managers to integrate the assets managed by the Outside Money Manager(s) with the assets of the overall client portfolio.

Fees for Asset Allocation and Portfolio Management Program Services are computed as a percentage of assets under management on a sliding scale. The current fee schedule is as follows:

<u>Account Value</u>	<u>Annual Fee</u>
Up to \$2,000,000	1.00%
\$2,000,001 to \$5,000,000	0.80%
\$5,000,001 to \$10,000,000	0.65%
\$10,000,001 and over	0.50%

Some accounts may be under a historical or individualized fee schedule.

For Asset Allocation and Portfolio Management services, the fee will be payable quarterly. Quarterly fees are assessed in advance and due on the first day of each calendar quarter. The fee is based on the value of assets under supervision as reflected in the account valuation by the custodian of such assets as of the close of business on the last day of the previous quarter. In any partial calendar quarter, the management fee will be pro-rated based on the number of days that the account was open during that quarter.

Fees may be paid directly by the client; or fees may be deducted from the client's account and paid directly to NBS Financial Services, Inc. by the custodian holding the client's fund and securities. However, the following criteria must be met when payment of client advisory fees is made to NBS Financial Services, Inc. by the custodian: 1) the client provides written authorization permitting the fees to be paid directly from the client's account held by the independent custodian; 2) the custodian agrees to send to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to NBS Financial Services, Inc.; 3) NBS Financial Services, Inc. sends to the client a bill showing the amount of the fee, the value of the client's assets on which it was based, and the specific manner in which the fee was calculated, to assist the client in verifying the accuracy of the amount billed.

After the first five days, for the Asset Allocation and Portfolio Management Program, services will continue until either party terminates the Agreement by written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded on a prorated basis and any earned, unpaid fees will be due and payable.

### **Financial Planning Services and Financial Consultative Services**

#### **Financial Planning Services**

NBS Financial Services, Inc. provides financial plans consistent with the individual client's financial and tax status and risk/reward objectives. Planning may focus on investments, insurance, taxes, retirements, and/or estate plans. Generally we employ the traditional six-step planning process. For specific reasons, clients may request segmented plans to focus on a particular need.

Clients may request Financial Planning Services only. Clients are not required to contract for our Asset Allocation and Portfolio Management Program services in order to receive Financial Planning Services.

If the client has contracted for Financial Planning Services only, the advisory Financial Planning fee will be computed at the rate of \$250/hour. Typically, fees for Financial Planning Services range from \$1500 to \$2500 based upon the hours needed to perform the services, which is fully disclosed on the Advisory Agreement.

For Financial Planning Services, we will provide an estimated fee for time and charges before commencing services, and generally one-half of the estimated fee is payable upon signing the Advisory Agreement for Financial Planning. The balance is due and payable upon delivery of the written plan.

After the first five days for Financial Planning Services, the client may terminate the agreement at any time and a refund of the unearned fees will be made based upon the time and effort expended before termination. The Agreement for Financial Planning Services will terminate upon delivery of the financial plan. Upon delivery of the financial plan, no refunds will be made.

### **Financial Consultative Services**

NBS Financial Services, Inc. also offers hourly Financial Consulting Services, which involves a specialized look at a particular aspect of the client's financial situation without engaging in the afore mentioned planning arrangements. Clients may request Financial Consulting services only. Clients are not required to contract for our Asset Allocation and Portfolio Management Program services in order to receive Financial Consulting Services.

If the client has contracted for Financial Consulting Services only, the advisory fee will be computed at the rate of \$150-\$300/hour depending on the complexity of the consulting task. For Financial Consulting Services, the specific rate and range of charges will be agreed upon in advance. The agreed upon fee is due and payable upon completion of agreed upon consultation.

### **General Information on Advisory Services and Fees**

Fees may be negotiable for all of our services, and the criteria would be determined on a case by case basis. Typical negotiability factors include the amount of assets under management, and the complexity of the client's financial situation and circumstances.

Fees are not collected for services to be performed more than six months in advance. The client may terminate the Advisory Agreement without penalty within five business days of entering into the Advisory Agreement.

Any controversy or claim, including but not limited to, errors and omissions arising out of or relating to our Advisory Agreement or the breach thereof, shall be settled by arbitration in California in accordance with the civil code. If arbitration, any judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The agreement to arbitrate does not constitute a waiver of the client's right to seek judicial forum where such waiver would be void under the federal securities laws. Arbitration is final and binding on the parties.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because NBS Financial Services, Inc. does not charge or accept performance-based fees. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## **Item 7 – Types of Clients**

NBS Financial Services, Inc. generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

All clients are required to execute an agreement for services in order to establish a client arrangement with NBS Financial Services, Inc., an Outside Money Manager, and/or the sponsor of third-party money manager platforms.

### **Minimum Investment Amounts Required**

As reflected in the NBS Financial Services, Inc. fee schedule, we will open an account in the Asset Allocation and Portfolio Management Program at any size. However, we recommend that our clients start with a minimum portfolio of \$250,000. There are no recommended minimums for clients retaining our Financial Planning Services.

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

### **Methods of Analysis**

NBS Financial Services, Inc. uses the following methods of analysis in formulating investment advice:

### **Mutual Fund and/or Separate Account Manager Selection and Performance Review**

To select the most appropriate mutual funds and/or managers, we feel that the "three P's" of People, Process, and Performance are the important determinants of an investment organization's success or failure.

To determine the caliber of the management team, we investigate the culture of the firm, the reputation of the team, the degree of turnover in the organization and the ownership structure.

We look for consistent approaches that have been rewarded consistently. We prefer managers that do not fluctuate from their style as the markets gyrate, but instead have the strength of their convictions. In the same way, we feel that bottom-up stock pickers will be able to add value more consistently than sector-rotators or market-timers.

In evaluating performance, it is important to analyze managers and funds in a risk-adjusted context. Has the portfolio been concentrated in two or three sectors that have done well over the given time period? Has the manager shifted into alternative asset classes dramatically over the market cycle? We prefer to compare a manager's returns to a carefully matched benchmark index, and to a carefully matched peer group of investment managers. To facilitate our performance analysis, we utilize statistical and analytical approaches such as factor analysis and regression analysis to more accurately determine the value that a manager has added, and to determine the level of confidence we can assign to such out performance.

In addition to these considerations, we also review the size of the fund or portfolio, its turnover, its expense ratio, its use of derivatives, its use of leverage, and its policy toward currency hedging (if applicable).

### **Equity Management and Research Methodology**

Our stock portfolios are invested in companies that we have determined to be world-class companies that are dominant in their respective industries, whose businesses we believe should experience enduring growth across market cycles. As long-term investors, we believe the compounding of investment returns over time is the most important driver of wealth creation. History, however, tells us the winners of yesterday may not be the winners of tomorrow; we are ever vigilant to changes in the economy and/or marketplace that may affect our holdings.

We employ both “growth” and “value” investment styles. It is important that these companies offer outstanding long-term growth potential, and equally important we do not overpay for that potential. Additionally, we believe strongly in diversification by industry sectors and will overweight and/or underweight industries based upon an Economic Forecast. Securities are often sold when objectives are met, fundamentals deteriorate, a holding becomes disproportionately large, and valuation reaches our “target price” or when a more attractive alternative is identified. Although holding periods may vary widely, and our best performing stocks are often held for long periods of time, average annual portfolio turnover is roughly 25%. Capital gains considerations play an important and integral role in the selling process for taxable portfolios.

We adhere to a rigorous quantitative and qualitative security selection process in building our stock portfolios for each client. This process incorporates a six-point system for analyzing stocks. We believe that this system, combined with our independence, gives us an edge as we develop our ideas, forecasts and recommendations. This research process begins with an Economic and Industry Forecast, followed by Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and finally Valuation Analysis. In addition, NBS Financial Services, Inc. uses the following methods of analysis in formulating investment advice:

**Charting** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

**Cyclical** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

***Fundamental*** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

***Technical*** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

### **Investment Strategies**

At NBS Financial Services, Inc., we are constantly reviewing the changes that are taking place and the tools that are available within the investment industry. We are dedicated to providing what we feel are superior investment management programs.

Numerous studies have shown that the asset allocation decision is arguably the most important decision an investor can make.

By utilizing a disciplined approach, we believe investors will be able to build sound portfolios with a diverse mix of assets, and will be better prepared to "stay the course" when their portfolio is buffeted by the turbulent winds of the capital markets. Comprised with complementary assets, these portfolios are designed to deliver attractive rates of return within the context of acceptable levels of risk.

During periods of euphoria in the market, it is easy for investors to be swept up and purchase securities near their peak. The reverse is also true, as panic often spreads during periods of unfavorable returns, resulting in an emotional response rather than one based upon reason. A disciplined, strategic investment process can help investors achieve their long-term investment goals by positioning them within an attractive mix of assets and securities. We believe further value can be added by periodically re-balancing these investments, and by utilizing a rational valuation framework to help determine which opportunities are particularly attractive at any point in time.

At NBS, we have built a comprehensive investment management program to help investors: 1) match their risk tolerance, time horizon, and investment objectives with an appropriate strategic mix of suitable investments; 2) modestly favor asset classes that appear undervalued, and modestly underweight those that appear overvalued; and 3) select specific investment vehicles that are able to add value within each targeted asset class.

To determine the investment vehicles most capable of adding value to a client's portfolio, NBS is not constrained by proprietary research or fund offerings, or existing manager relationships. As an independent adviser, our organization is clearly focused on the client's objective - to increase return at an acceptable level of overall risk.

NBS Financial Services, Inc. uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Trading. Investments sold within 30 days.

Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its

value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

#### **Item 9 – Disciplinary Information**

This item is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

NBS Financial Services, Inc. is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) lawyer or law firm, (7) pension consultant, (8) or (9) sponsor or syndicator of limited partnerships.

### **Other Business Activities**

NBS Financial Services, Inc. is a Registered Investment Adviser firm offering investment advisory services on a fee basis. This is our primary business activity.

### **Other Financial Industry Activities and Affiliations**

In addition to being affiliated with NBS Financial Services, Inc., Robert V. Johanson, CPA, CFP® is President of his wholly owned public accounting firm, RVJ Associates, Inc. In his separate capacity as a CPA and officer of RVJ Associates, Inc. he may provide advice about securities which is incidental to the CPA practice. RVJ Associates, Inc. also offers various other non-advisory services, such as business consulting and business valuation. Mr. Johanson emphasizes that no client is under any obligation to use RVJ Associates, Inc. for tax accounting or other non-advisory services.

In addition to being affiliated with NBS Financial Services, Inc., Kenneth C. Butler, CFP® is President of his wholly owned investment advisory firm, Butler Financial Services, Ltd., which is registered with the state of California. Butler Financial Services, Ltd. also offers other non-advisory services, such as accounting and tax preparation services. Mr. Butler emphasizes that no client is under any obligation to use Butler Financial Services, Ltd. for tax or accounting services.

Generally advisory clients will not be advised on real estate; however, Robert V. Johanson and Kenneth C. Butler are licensed individually as Real Estate Brokers. Mr. Johanson and Mr. Butler emphasize that no client is under any obligation to utilize their Real Estate Brokerage and/or Mortgage Services

### **Third-Party Money Managers**

As described in *Item 4 – Advisory Business* and *Item 5 – Fees and Compensation*, NBS Financial Services, Inc. has formed relationships with independent, third-party money managers (Outside Money Managers). When NBS Financial Services, Inc. recommends client assets for management by an Outside Money Manager, clients are charged the normal advisory fee charged by NBS Financial Services, Inc. as well as the agreed upon charge between the client and the Outside Money Manager. NBS Financial Services, Inc. reviews and monitors the performance of the Outside Money Managers to integrate the assets managed by the Outside Money Manager(s) with the assets of the overall client portfolio.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

NBS Financial Services, Inc. has adopted a Code of Ethics (“Code”) based on the principle that all employees have a fiduciary duty to place the interest of clients ahead of their own and those of the firm, NBS Financial Services, Inc.. With this Code, all access persons must avoid activities, interests and relationships that might interfere with making decisions in the best interest of our firm’s advisory clients. A complete copy of our Code of Ethics will be provided to any client, or prospective client upon request.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

NBS Financial Services, Inc. or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of NBS Financial Services, Inc. that all persons associated in any manner

with the firm must place the interests of our clients ahead of their own when implementing personal investments. NBS requires that a pre-clearance form be filled out and authorized by Susan Crossan CCO or Geordie Crossan, CFP, prior to all IPO or Private Placement transactions. Employees must report all required information for covered personal securities transactions on a quarterly basis. NBS Financial Services, Inc. and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by NBS Financial Services, Inc. are widely held and publicly traded. It is recommended that employees of NBS maintain their securities accounts at Charles Schwab & Co. Inc. and be linked to NBS Financial Services, Inc. portfolio management system for monitoring. In an instance where an employee or affiliate of NBS maintains a securities account outside of Schwab Institutional, periodic statements and trade confirmations must be provided for review.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of NBS Financial Services, Inc. If NBS Financial Services, Inc. assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible.

### **Brokerage Recommendations**

NBS Financial Services, Inc. does not maintain custody the client assets that we manage, although we may be deemed to have custody if a client has given us authority to withdraw or transfer funds from their account based on standing letters of authorization as instructed by the client (see Item 15—Custody, below). Client 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), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold individual client assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend our clients use Schwab as custodian/broker, the client decides whether to do so and will open an account with Schwab by entering into an account agreement directly with them. We do not open the account for our clients, although we may assist them in doing so. Even though a client’s account is maintained at Schwab, we can still use other brokers to execute trades for their account as described below.

We seek to use a custodian/broker that will hold assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services generally without a separate fee for custody
- Capability to execute, clear, and settle trades (buy and sell securities)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services

- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or asset based fees for securities trades that are executed through Schwab or that settle into your Schwab account. Certain trades, for example, many mutual funds and ETFs, may not incur Schwab commissions or transaction fees. In addition Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services which help us manage or administer our clients' accounts. Schwab's support services are generally available on an unsolicited basis and at no charge to us.

Schwab'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 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 services described in this paragraph generally benefit you and your account. Schwab also makes 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 own and that of third parties. In addition to investment research, Schwab also makes available software and other technology that:

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

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

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab 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 may also provide us with other benefits, such as occasional business entertainment of our personnel.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. This creates an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's service.

### **Handling Trade Errors.**

NBS Financial Services, Inc. has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of NBS Financial Services, Inc. to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by NBS Financial Services, Inc. if the error was caused by NBS Financial Services, Inc. If the error is caused by the broker-dealer, the broker-dealer will be responsible for handling the trade error. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. NBS Financial Services, Inc. may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

NBS Financial Services, Inc. will never benefit or profit from trade errors.

### **Block Trading Policy**

Transactions implemented by NBS Financial Services, Inc. for client accounts are generally effected independently, unless the firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the firm when NBS Financial Services, Inc. believes such action may prove advantageous to clients. When NBS Financial Services, Inc. aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When NBS Financial Services, Inc. determines to aggregate client orders for the purchase or sale of securities, including securities in which NBS Financial Services, Inc. may invest, the firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, NBS Financial Services, Inc. does not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

All advisory accounts are reviewed no less frequently than quarterly using computerized systems and statements prepared by the custodian, to assure the client's objectives are being met. In addition, any activity in an advisory account triggers production of a daily activity report generated by the custodian broker/dealer. Each activity report is reviewed when it is generated.

The activity in securities held by advisory accounts and securities being considered as possible recommendations are monitored by NBS Financial Services, Inc.'s advisors by means of computerized systems. Substantial or unusual activity in a security or the release of a research report, press release, or company announcement will trigger a review of the appropriateness of a security for advisory accounts.

### **Statements and Reports**

Asset Allocation and Portfolio Management Program clients receive quarterly evaluation reports.

Financial Planning clients receive a written Financial Plan at the time of services, and no ongoing reports are prepared for Financial Planning clients, unless NBS Financial Services, Inc. is specifically retained by the client to do so.

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

### **Compensation for Referrals**

NBS Financial Services, Inc. does not participate in a program in which it is required to compensate for referrals. In some instances, NBS Financial Services, Inc. continues to pay Charles Schwab & Co. Inc. a Participation Fee on historically referred client's accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained or transferred to another custodian. The Participation Fee paid by NBS is a percentage of the value of the assets in the clients account. NBS Financial Services, Inc. pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to NBS Financial Services, Inc. quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by NBS Financial Services, Inc. and not by the client. NBS Financial Services, Inc. has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs NBS Financial Services, Inc. charges clients with similar portfolios who were not referred through the Service.

NBS Financial Services, Inc. generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by Schwab, or assets in the account are transferred from Schwab. This fee does not apply if the client was maintained by Schwab, or assets in the account are transferred from Schwab. Additionally, this fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees that an Advisor (such as NBS Financial Services, Inc.) generally would pay in a single year. Thus, NBS Financial Services, Inc. will have an incentive to recommend that those client accounts be held in custody at Schwab.

For accounts of NBS Financial Services, Inc.'s clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from NBS clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab.

Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers' fees. Thus, NBS Financial Services, Inc. may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. NBS Financial Services, Inc., nevertheless, acknowledges its duty to seek best execution of trades for client's accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for NBS Financial Services, Inc.'s other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### **Item 15 – Custody**

Under government regulations, we are deemed to have custody of our client's assets if, for example, our client authorizes us to instruct Schwab to deduct our advisory fees directly from their account or if a client grant's us the authority to move money, at their instruction, to another person's account, or any account that does not have an identical registration. Schwab or in some cases another qualified custodian maintains actual custody of our client's assets. Each client will receive account statements directly from Schwab or their other qualified custodian at least quarterly. They will be sent to the email or postal mailing address that is provided to the custodian by the client. Clients should carefully review the statements promptly when they are received. We also urge our clients to compare their account statements with the quarterly portfolio reports that are received from us. When clients have questions about their account statements, they should contact NBS Financial Services, Inc. or the qualified custodian preparing the statement. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

### **Item 16 – Investment Discretion**

Through its Asset Allocation and Portfolio Management Services and upon receiving written authorization from a client, NBS Financial Services, Inc. will maintain trading authorization over client accounts. Upon receiving written authorization from the client, NBS Financial Services, Inc. may implement trades on a discretionary basis. When discretionary authority is granted, NBS Financial Services, Inc. will have the authority to determine the type of securities, the amount of securities that can be bought or sold, and the broker or dealer to be used for the client's portfolio without obtaining the client's consent for each transaction. However, it is the policy of NBS Financial Services, Inc. to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, NBS Financial Services, Inc. will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the Advisory Services Agreement.

#### **Item 17 – Voting Client Securities**

NBS Financial Services, Inc., as a matter of practice, does not vote proxies on behalf of your account. It is your responsibility to vote all proxies for securities held in your accounts managed by our firm. You will receive proxies directly from your account custodian or transfer agent and such documents will not be delivered by our firm. If you have a question about proxy voting, or a particular proxy feel free to contact us. There are however certain instances in which the client has given the proxy voting responsibility to our firm. In these cases, NBS Financial Services, Inc., as a fiduciary to our clients, has the responsibility of voting proxies for portfolio securities consistent with the best economic interests of those clients. Our firm maintains written policies and procedures as to the handling of research, voting, and reporting of proxy voting. For a full copy of the NBS Financial Services, Inc. proxy voting policy, or information regarding proxy votes, please contact our office.

#### **Item 18 – Financial Information**

Item 18 is not applicable to this Disclosure Brochure. NBS Financial Services, Inc. does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, NBS Financial Services, Inc. has not been the subject of a bankruptcy petition at any time.

