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## **Form ADV Part 2A – Appendix 1**

Wrap Fee Program Brochure

(Texas Regional Bank)

March 25, 2020

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

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

Questions relative to the firm, its services, or this wrap fee program brochure may be made to the attention of Ms. Claire Blue, Chief Compliance Officer, at (818) 528-3708. Additional information about the firm, other advisory firms, or associated investment advisor representatives is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The investment advisory services offered and any investment vehicles employed are (i) not deposits or other obligations of, nor are they guaranteed by, a financial institution or its affiliate; (ii) are not insured by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), National Credit Union Share Insurance Fund (NCUSIF), or any other agency of the United States Government; and (iii) are subject to investment risks, including the possible loss of value. Further description with respect to investment strategies and their potential risks may be found in Item 6 of this brochure.

## **Item 2 - Material Changes**

OBS Financial Services, Inc., previously amended its ADV Part 2 on March 27, 2019; the following material changes have occurred since that filing:

1. Item 4 – Added a disclosure provision regarding OBS Financials’ acquisition by AssetMark Financial, Inc., which is a wholly-owned indirect subsidiary of Huatai Securities Co., Ltd.
2. Item 4 – OBS Financial Updated reportable assets under management values, providing 12/31/19 numbers.
3. Item 9 – Added a disclosure provision regarding OBS Financials’ acquisition by AssetMark Financial, Inc., which is a wholly-owned indirect subsidiary of Huatai Securities Co., Ltd.

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

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

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### **Important Information**

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

## **Item 4 - Services, Fees and Compensation**

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

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

Ownership of OBS Financial is through OBS Holdings, Inc., which is subsequently owned by WBI OBS Holdings, LLC of Perrysburg, OH. On March 1, 2020, AssetMark Financial, Inc. ("AssetMark") completed the previously announced acquisition of all of the outstanding interest of WBI Holdings, LLC. AssetMark is a wholly-owned indirect subsidiary of Huatai Securities Co, Ltd ("HTSC"). HTSC is a financial services and securities brokerage firm, incorporated in China and listed on the Shanghai and Hong Kong stock exchanges.

As of December 31, 2019, OBS Financial managed \$1.926 billion.<sup>1</sup> This total represents non-discretionary assets of \$1.0656 billion and discretionary assets of \$861 million (defined in Item 16). As part of its business, OBS Financial also provides model portfolio services, acts as a strategist, effects trade execution and provides other investment management services for clients whose assets total \$349 million. If these additional assets are added to the totals above, as of December 31, 2019, OBS Financial was responsible for \$2.275 billion in total assets.

OBS Financial offers investment management services through a wrap fee program as described in the following section. We do not provide traditional financial planning services. OBS Financial provides model portfolio services to a variety of clients. We provide services to financial institutions (trust services departments), to investment advisor firms and their clients, as well as acting as a qualified retirement plan fiduciary pursuant to § 3(38) of the Employee Retirement Income Security Act of 1974 (ERISA).

### **Description of Services Offered**

Our wrap fee program is designed to offer clients the opportunity to obtain professional portfolio management services through access to institutional money managers and their specific investment strategies, as well as brokerage services in support of the account, for an asset-based fee that is based upon the account's assets under management.<sup>2</sup>

OBS Financial provides an internet-based electronic interface via a secure website maintained for financial institutions to enable them to view one or more model portfolios into which the financial

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

<sup>2</sup> Other fees and requirements may apply, please refer *Wrap Fees Assessed* in Item 4 for further details.

institution might invest for its clients. If a financial institution decides to invest a client in one or more models, OBS Financial facilitates the client's investment into that model(s) within either a:

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

(2) direct account held at a custodian in the client's name and in which OBS Financial will serve as the client's investment advisor throughout the engagement.

Exceptions may be made by OBS Financial to accommodate a client request to maintain other widely held (liquid) securities in an account at the firm's custodian of record. OBS Financial will not supervise these holdings and they will be deemed in the engagement agreement as "unsupervised assets." On occasion, certain client assets may be deemed as part of the engagement and under the firm's supervision as a customized portfolio which is periodically reviewed by the investment committee.

Brokerage and/or custodian services are provided through either TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (Member FINRA/SIPC) or Fidelity Institutional Wealth Services ("Fidelity"). Our firm is independently owned and operated; we are not legally affiliated with TD Ameritrade Institutional and/or Fidelity. Investment management services are offered by a select group of institutional money managers that our firm has determined appropriate for various asset classes or investment strategies that will serve accounts. The client's local representative provides their expertise involving the consultation aspect of the engagement.

### ***Getting Started***

The client will be provided with our current wrap fee program brochure that includes reference to material conflicts of interest regarding our firm and its associates. The client will also receive a separate Form ADV Part 2B brochure supplement about the representative who will be assisting them.

### ***Developing Your Investment Plan***

The portfolio will be determined by the client's investment objectives, time horizon, tolerance for risk, as well as any reasonable account constraints. This is done through a risk questionnaire which assists in generating the client's Investment Policy Statement. At account opening, a client will be able to indicate if he/she has any reasonable account restrictions by the use of the Restrictions/Trusted Contact form. A client will receive a reminder communication quarterly on the custodian statement or directly from OBS if a client wants to place any restrictions on the account. A client's investment representative will also ask about restrictions during the annual review of the client's account as well. Note that any restriction placed on the management of an account may have an effect on its strategy, investment selection and, potentially, the portfolio's investment results.

The client is responsible for promptly notifying their investment advisor representative if there are changes in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising previous recommendations. The client retains discretion over the choice of investment models and is also free to reject the recommendation of entering into the wrap fee program altogether. The individual securities held within an investment model are, however, at the discretion of the portfolio manager.

### ***Wrap Fee Program Portfolio Models***

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

The Efficient Frontier Series (“EFS”) offered by OBS Financial and currently using Dimensional Fund Advisors (“DFA”) mutual funds, utilizes DFA asset classes in combination with their structured investing approach that focuses on reducing risk by providing broad diversification among asset classes. The following paragraphs provide a description of each series.

***DFA/Efficient Frontier Series – DFA/EFS:*** The DFA/EFS portfolio series are dynamically managed asset class portfolios that follow the covenants of Modern Portfolio Theory of reducing risk by diversifying among an extensive range of asset classes including, but not limited to, domestic and international equities, fixed-income securities, and real estate. These portfolios are tilted to have a greater exposure toward small capitalization, value, and highly profitable stocks, in an effort to capture the risk premiums these asset classes have historically displayed. In an effort to dampen volatility, a high-quality, short-term fixed income strategy is employed within the series. These model portfolios are built using the DFA mutual fund series (Institutional Share classes).

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

The **DFA/EFS 20/80%** portfolio provides investors with the opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited, while the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which raises the growth potential over that of a portfolio void of stock exposure.

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

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

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

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

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

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

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

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

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

The **DFA/EFS EI 40/60%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio provides a balanced investment approach, with a conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets

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

The **DFA/EFS EI 50/50%** portfolio provides additional exposure to foreign equity asset classes to align more closely with the world market capitalization, in an effort to increase diversification and growth potential provided by foreign markets. The portfolio also includes inflation protected securities to combat inflation over the long term. The portfolio aims to provide a balance between capital preservation and capital appreciation. With a 50/50 exposure to equity and fixed income, the portfolio is designed for those who are most comfortable with a balanced approach and have a moderate tolerance for investment fluctuations.

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

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

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

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

**DFA/EFS Component Series:** The component series utilizes the three main components or major market segments within the DFA/EFS 100/0 portfolio. This portfolio is segregated into three separate portfolios or components based on geographic region. The components consist purely of equities in the US, non-US developed countries, and emerging market countries. These portfolios are tilted to have a



greater exposure toward small capitalization, value, and highly profitable stocks, in an effort to capture the risk premiums these asset classes have historically displayed. The portfolios are highly diversified within their respective market.

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

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

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

#### **Tax-Advantage – OBS/TA**

The OBS/TA portfolio series are tax-efficient, dynamically managed asset class portfolios that follow the covenants of Modern Portfolio Theory of reducing risk by diversifying among an extensive range of asset classes including, but not limited to, domestic and international equities and fixed-income securities. These portfolios are tilted to have a greater exposure toward small capitalization, value, and highly profitable stocks, in an effort to capture the risk premiums these asset classes have historically displayed. The series implements tax advantageous fund management while also utilizing tax-sensitive securities, like municipal bonds. These model portfolios are built using the Dimensional Fund Advisors (DFA) mutual fund series (Institutional Share classes).

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

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

The **OBS/TA 40/60%** provides a balanced investment approach with a conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout, and

is moderated by a strong bond municipal bond presence. The portfolio implements tax efficient fund management while also utilizing tax-sensitive securities, such as municipal bonds.

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

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

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

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

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

## **OBS Core II**

The **Core II 20/80%** portfolio provides investors with an opportunity to build wealth through a conservative risk managed approach. With 80% of the portfolio invested in fixed income assets, exposure to the stock market is limited and the bond markets provide a consistent stream of income for the investor. To keep pace with inflation, the portfolio invests 20% into the stock market, which slightly raises the growth potential.

The **Core II 40/60%** portfolio provides a balanced investment approach, with a touch of conservative emphasis. The portfolio has a healthy exposure to the stock market, with 40% of its assets diversified throughout equity asset classes; however, this exposure is moderated by a strong bond presence. With 60% of the portfolio assets in the bond markets, the investor can receive a consistent stream of income and some protection from a downward stock market.

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

The **Core II 60/40%** Portfolio provides a balanced investment approach with an emphasis on growth. The portfolio is more resistant to inflation with an increased potential for capital appreciation. Its 40% bond presence provides income to the investor, as well as market downturn protection.

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

The **Core II 80/20%** portfolio provides almost complete exposure to the stock market, with an aggressive approach towards increasing growth. A small bond presence is maintained, but income generation and downturn protection is limited.

The **Core II 100/0%** portfolio is the most aggressive portfolio and offers full exposure to the stock market. The -100/0% portfolio is also diversified between domestic and international stocks, with no exposure to the bond market.

#### **TRB Income Series**

The TRB Income Portfolio is designed for investors whose primary objective is to generate income. The portfolio is constructed to provide a steady and consistent stream of income distributions over time. The portfolio invests in high income bearing instruments such as high yield fixed-income and preferred stock in an attempt to maximize distributions. The portfolio invests a small portion into a global equity strategy to promote diversification and growth potential.

The TRB 20/80 Income and Growth Portfolio is designed to pursue a low cost, high distribution strategy while providing exposure to the global stock market in an attempt to provide long-term growth potential. The portfolio is engineered to provide significant exposure to preferred securities in order to generate higher distributions in order to meet investor demand for income. The portfolio also invests high quality and shorter-term fixed-income instruments of various regions and countries, in an attempt to combat volatility that may be experienced by equities and preferred stock.

The TRB Corporate Income Portfolio is designed for institutional use by corporations who are interested in attempting to earn 100 to 200 basis points of additional annualized yield / total return above prevailing institutional money market rates by taking on up to 3 years of duration risk and overall modest credit and liquidity risk as the trade off to the potential additional yield / return. The strategy uses multiple highly rated fixed income money managers including the use of Exchange Traded Funds and can invest in all liquid fixed income sub-asset classes including leveraged loans. While a model portfolio is available for presentation, accounts can be customized based upon specific needs and circumstances of the client.

## TRB Customized Portfolios

In limited situations, the wrap account will be customized by select staff; incorporating assets outside standard investment models earlier noted.

### Wrap Fees Assessed

Wrap accounts maintained on the platform will be assessed an annualized asset-based fee<sup>3</sup> by OBS Financial as follows:

Each of the following fee schedules are tiered. For the fee schedule below, for a \$2,000,000 account, the first \$1,000,000 would be charged at the first tier of 150 basis points, and the next \$1,000,000 at the next tier of 125 basis points.

**Table 1: Standard Services**

<b>Assets Under Management</b>	<b>Asset-Based Fee</b>
\$10,000 - \$1,000,000	1.50% (150 basis points)
\$1,000,001 - \$2,000,000	1.25% (125 basis points)
\$2,000,001 - \$3,000,000	1.00% (1.00 basis points)
\$3,00,001 - Above	0.75% (75 basis points)

If a client's account is a sub-account within the omnibus setting, the client's billing is based on average daily balance for that account over each quarter. If the client's account is held direct, it will be billed based on the account value as of each period ending balance.

If OBS Financial is engaged to serve as an ERISA § 3(38) fiduciary. OBS has various platform options for ERISA § 3(38) fiduciary. The typical fee is noted in the following table, and further details may be provided via your representative.

**Table 2: ERISA § 3(38) Services**

<b>Assets Under Management</b>	<b>Asset-Based Fee</b>
\$10,000 - \$750,000	0.90% (90 basis points)
\$750,001 - \$5,000,000	0.85% (85 basis points)
\$5,000,001 - \$10,000,000	0.81% (81 basis points)
\$10,00,001 - Above	0.71% (71 basis points)

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

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<sup>3</sup> The fee calculation will include "unsupervised assets" and money market positions held at the firm's custodian of record.

### ***Discounting Fees***

For the benefit of discounting the asset-based fee, we may aggregate accounts for the same individual or two or more accounts within the same family, as well as accounts where a family member has power of attorney over another family member's account. This is called householding fee billing. Should investment objectives be substantially different for any two or more household accounts, requiring different investment approaches or operational requirements, we reserve the right to separately apply our fee schedule. The services to be provided to you and their specific fees will be detailed in your engagement agreement. Our published fees are negotiable at the discretion of an officer of our firm.

### ***Fee Payment***

An annualized asset-based fees will be billed monthly, in arrears, based on the daily average market value of the client's sub-account over the previous month or, if a direct account, based on the account value as of the previous month end balance. Fee payments will generally be assessed within the first 10 business days of each billing period. The client's first billing cycle will normally occur once the account is funded and investments allocated, irrespective of a partial period under the firm's management, however, a partial period may be assessed a prorated fee.

### ***Termination of Services***

Either party may terminate the agreement at any time, which will typically be in writing to OBS Financial. If the account holder verbally notifies the advisor of the termination and, if in two business days following this notification a written notice has not been received, OBS will accept the termination. Our firm will not be responsible for future allocations or transactional services (except limited closing transactions) upon receipt of a termination notice. It will also be necessary that we inform the custodian of record that the relationship between the firm and the client has been terminated. It is important to note that once an account has begun the account transfer process, it then becomes restricted/frozen at the custodian until the transfer is complete to the institution that the account holder designated the transfer to. This means transactions cannot be processed within the account. The transfer process can take several weeks.

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

If our wrap fee program brochure was not delivered at least 48 hours prior to entering into the investment advisory contract with our firm, then the client will have the right to terminate the engagement without fee or penalty within five business days after entering into the agreement. Should the agreement be terminated after the five-day period, the client will be assessed fees on a prorated basis for services incurred from either (i) as a new client, the date of the engagement to the date of the firm's receipt of the written notice of termination; or (ii) all other accounts, the last billing period to the date of the firm's physical or constructive receipt of written termination notice. OBS

Financial will promptly return any prepaid but unearned advisory fees upon receipt of a termination notice, which we typically coordinate via the custodian of record.

#### Services Purchased Separately

The total costs associated with a wrap fee program account may be more or less than separately purchasing brokerage and advisory services. The factors that bear upon the relative costs of any wrap fee program include the number of and timing of transactions, referral fees (if any), portfolio management and custody fees; regulatory, compliance and administrative charges; research costs, promotional materials, among others. These and other factors may affect the cost of obtaining these services separately from another provider.

#### Additional Client Fees

There are typically no sales loads, brokerage fees, mark-ups, mark-downs, spreads paid to market makers, or brokerage termination or account surrender fees associated with our wrap fee program. Although the fees earlier described are for advisory fees payable to our firm, there may be additional fees an account holder may pay when transactions occur in their account. The list of potential fees and expenses below depict what an account holder may pay a custodian, whether the position is being purchased, sold or held in an account.

- Odd-lot differentials
- Accommodation account trading
- Wire transfer and electronic fund processing fees
- Express mailing fees

Typical additional fees are included with the client's new account paperwork or custodian fee schedule. OBS Financial does not have control over the assessment of these fees.

#### Compensation Matters

The firm and/or associate recommending the wrap fee investment program to you may receive direct or indirect compensation as a result of your participation in the program. Depending on the investment manager selected, the amount of compensation the firm or the associate receives may potentially be more than what would be received if you participated in other investment programs offered by our firm or paid separately for investment advice, brokerage, and/or other financial services the organization as a whole offers. The client may be assessed additional fees if they choose services separate of OBS Financial's wrap fee program, clients should discuss all fees with their advisor. Clients should compare costs between this program and others offered through other providers.

## General Information

### ***Custody***

Client funds and securities will be an unaffiliated, qualified custodian. Assets are not maintained by OBS Financial or any of its associates. In keeping with the firm's policy of not taking physical custody of client funds or securities, we:

- Restrict the firm and associates from acting as trustee for or having general power of attorney over a client account.
- Are prohibited from having authority to withdraw securities or money from a client account, other than the request for payment of advisory fees that is accomplished through a qualified custodian and pursuant a written agreement (termed "constructive custody").
- Do not accept or forward client securities (i.e., stock certificates) erroneously delivered to our advisory firm.
- Will not collect fees of \$1,200 or more for advisory services to be performed six months or more in advance.
- Will not authorize an associate to have knowledge of a client's account access information (i.e., online 401(k), brokerage or bank accounts), even for the convenience or accommodation of the client or their legal agent, if such access would result in having control over the account or its assets.

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

### ***Firm Services***

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

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

## **Item 5 - Account Requirements and Types of Clients**

### **Account Requirements**

#### ***Minimum Account Requirements***

Our firm requires a minimum of \$10,000 of investable assets within the wrap fee program in order to open and maintain an account.

#### ***Account Opening Process***

Participation in the program is initiated by submitting the following completed documents to the firm:

- Investment Management Agreement
- Account Application
- Investment Policy Statement based on a risk questionnaire
- Account Restriction Form
- Government issued identification

Based on these completed documents, our firm will make the initial determination as to your suitability for the wrap fee program. We also make an assessment of whether to establish an account for the client based on the appropriate documentation submitted, risk tolerance and asset allocation recommendations. The client retains discretion over the choice of investment models and is free to reject a recommendation or in entering into the wrap fee program altogether. The individual securities held within an investment model are at the discretion of the portfolio manager.

The custodian for wrap program accounts will be TD Ameritrade Institutional or Fidelity, and they will execute and clear all purchase and sale orders as directed. The custodian of record will maintain account assets and provide other custodial functions, including crediting of interest and dividends on accounts, and other customary functions. They serve as general administrator for wrap fee program accounts.

### **Types of Clients Served by the Firm**

OBS Financial provides its services to individual investors, trusts, estates, charitable organizations and foundations, financial institutions, pension and profit-sharing plans, and businesses of various scale.

### **Types of Clients Served within the Program**

We generally offer this wrap fee program to individuals, high net worth individuals, trusts, estates, and charitable organizations, however, we will include businesses and pension and profit-sharing plans should their investment guidelines permit us to do so. In all instances, OBS Financial Services reserves the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, or pre-existing relationships. We also reserve the right to decline services to any prospective client for any non-discriminatory reason.



## Client Checks

It is important that client checks are to be made payable to the custodian (Example – Fidelity) for the benefit of (with client's name). OBS Financial will promptly forward the check to client's custodian provided the check complies with the rules of the custodian regarding client checks. If the check does not comply with the rules of the custodian, the check will be returned to the client. If a check is made payable to OBS Financial, it is promptly returned to the client within 3 business days. OBS Financial does not accept client funds.

## **Item 6 - Selection and Review of Portfolio Managers**

### Selection and Review of Portfolio Managers

Our investment committee conducts due diligence on each mutual fund manager. At least annually the investment committee review will be performed from both a compliance and performance perspective to determine whether the selected mutual fund manager remains an appropriate fit. OBS Financial will also determine if the fund manager should be replaced due to poor performance, regulatory or compliance matters, etc.

The benchmarks for account performance are based on each client's responses to suitability information and their investment statement. Using these responses, the firm is able to select a fund manager felt capable to employ an appropriate investment strategy as well as develop a diversified portfolio using this strategy. Our firm maintains client profiles and may recommend adjustments to portfolios accordingly.

Clients may receive written performance reports prepared by OBS Financial that have been generated using third-party performance reporting software. These reports are calculated using a time-weighted methodology that is intended to inform clients about their investment performance over the current period and since account inception, both on an absolute basis and as compared to a known benchmark. Our performance reports are reviewed for accuracy by client services prior to delivery, as well as periodic back-testing by operations and compliance personnel.

### Related Persons Serving as Portfolio Manager

When the wrap fee program portfolio manager is an associated person of our firm, a potential conflict of interest exists since the associate and/or firm may both benefit from a greater percentage of the advisory fee by not outsourcing the investment management aspect of the wrap fee program to another advisor. In light of this material matter, the firm will ensure it utilizes the same due diligence and account management selection or termination criteria for its own portfolio manager that it would had an external source been engaged; in addition to further scrutiny to ensure appropriate portfolio selection, fees and other compensation meet within the account investment policy statement, firm procedures and regulatory guidelines.

#### Advisory Services Offered within Wrap Fee Program

Please refer to *Description of Services Offered* in Item 4 for details involving the types of advisory services we provide within our wrap fee program. Our investment strategy and the types of investments employed are noted within Item 4 and following paragraphs/sections. Please refer to Item 4 involving restrictions you may request for your portfolio.

#### Performance-Based Fees and Side-By-Side Management

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

#### Voting Securities

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

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

Our firm will have no power, authority, responsibility, or obligation to take any action with regard to any claim or potential claim in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in a account holder account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving account assets.

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

##### ***Method of Analysis***

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

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

## ***Investment Strategies***

### ***Standard Portfolio Models***

The underlying mutual fund managers OBS Financial selects to support its model portfolios must generally ascribe to the principles of the Modern Portfolio Theory and a mathematical technique known as “mean variance optimization.” This theory is based on the belief that proper diversification and risk management will provide the account holder with a more stable and consistent return over time. Furthermore, it has been statistically proven that a properly diversified portfolio, consisting of an appropriate weighting in different asset classes, will generally outperform most asset classes over time. The practice of Modern Portfolio Theory does not employ market timing or stock selection methods of investing but rather a long term buy-and-hold strategy with periodic rebalancing of the account to maintain desired risk levels.

### ***Customized Portfolios***

Customized portfolios may involve one or more strategies employed by a portfolio manager who our firm believes best supports a particular investment model. Generally, these will fall into one of three strategies: Modern Portfolio Theory (previously described), Active Asset Management or Core + Satellite.

**Active Asset Management** - A portfolio manager engaging in an active asset management strategy believes it is possible to create a profit from identifying or leveraging mispriced securities and producing returns greater than a stated benchmark, such as a well-known index. For example, a “large cap stock” fund manager might attempt to outperform the Standard & Poor's 500 Index by purchasing underpriced stocks or derivative instruments representing these positions. Active strategists may attempt to preserve capital during times of high risk through the use of cash and cash equivalents, and the percentage of account holdings invested in the market may vary substantially based on what they believe is the prevailing risk in the market. If they feel risk in the stock market is low, they may increase exposure to equities to attempt to take advantage of growth opportunities. When risk in the stock market is considered high, all or a portion of the portfolio's equity exposure may be moved to more stable short-term fixed income instruments and cash equivalent alternatives in order to preserve capital.

**Core + Satellite** - This strategy blends passive (or index) and active investing; where passive investments are used as the basis or “core” of a portfolio and actively-managed investments are added as “satellite” positions. With this strategy, the portfolio core holdings are indexed to potentially more efficient asset classes; while outlying selections are generally limited to active holdings that are attempting to outperform a particular category, or a selection of particular positions to increase core diversification, or to improve portfolio performance. For example, the core of a portfolio may be built with low-cost index funds or exchange traded funds (ETFs); satellite holdings would include active investments with unique strategies that are believed capable of adding value beyond a stated benchmark over a full market cycle. The core may represent the majority of the total portfolio, using primarily index funds or index-based

ETFs. The remainder of the portfolio may then employ mutual funds or ETFs that take a shorter duration to assist in the over-or-under allocation to specific sectors, regions, assets classes, etc.

### ***Risk of Loss***

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

**Active Management Risks** - A portfolio that employs active management strategies may, at times, outperform or underperform various benchmarks or other strategies. In an effort to meet or surpass these benchmarks, active portfolio management may require more frequent trading or “turnover.” This may result in shorter holding periods, higher transactional costs and/or taxable events generally borne by the client, thereby potentially reducing or negating certain benefits of active asset management.

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

**Core + Satellite Strategies** - Strategies involving Core + Satellite investing may have the potential to be affected by “active risk” (or “tracking error risk”); a deviation from a stated benchmark. Since the core portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a “sample” or “optimized” index fund or ETF that may not as closely align the stated benchmark. In these instances, a portfolio manager may choose to reduce the weighting of a satellite holding, utilize very active satellites, or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.

**Equities (Stocks)** - Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in and perceptions of their issuers change. If an investor held common stock or common stock equivalents of any given issuer, they may be exposed to greater risk than if they held preferred stocks and debt obligations of the issuer.

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

**Firm Research** – When research and analyses is based upon commercially available software, rating services, general market and financial information, or due diligence reviews, the firm is relying upon the accuracy and validity of the information or capabilities being provided by selected vendors, rating

services, market data, and the issuers themselves. The firm makes every effort to determine the accuracy of the information received but it cannot foretell events or actions taken or not taken, or the validity of all information it has researched or provided which may or may not affect the advice to or investment management of an account.

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

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

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

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

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

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

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

**Passive Markets Theory** – A portfolio that employs a passive, efficient markets approach (representative of Modern Portfolio Theory) has the potential risk that at times the broader allocation may generate lower-than-expected returns than those from a specific, more narrowly focused asset, and that the return on each type of asset is a deviation from the average return for the asset class. Our firm believes this variance from the “expected return” is generally low under normal market conditions when a portfolio is made up of diverse, low or non-correlated assets.

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

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

## **Item 7 - Client Information Provided to Portfolio Managers**

### ***Information Provided to Portfolio Managers***

Under our wrap fee engagement, we will gather information about the client and their financial situation, investment objectives, and any reasonable restrictions they may want to impose on the management of the account. We will then utilize this data to establish an asset allocation in support of a portion or the entire portfolio in accordance with the selected investment manager’s strategies.

Please refer to Item 9 (*Additional Information: Review of Accounts*) about how we review accounts, as well as how often we may provide our clients with wrap fee investment program information.

### ***Investment Discretion***

Portfolio models are managed by OBS Financial on a discretionary basis. Via limited power of attorney, discretionary authority allows a firm to implement investment decisions, such as the purchase or sale of a security on behalf of an account, without requiring prior client authorization for each transaction in order to meet stated portfolio investment objectives. The client grants trading authorization through the

execution of an engagement agreement and custodian of record's account opening documents. Clients are able to amend account authority by providing revised written instructions. It is important that clients keep their investment representative updated of any change in their situation and/or investment objective so that they may reevaluate previous investment recommendations or portfolio holdings. OBS Financial will not serve unsupervised assets (accommodation accounts) on a discretionary basis.

#### **Item 8 - Client Contact with Portfolio Managers**

In certain instances, a client may be able to attend general communications sessions offered by the underlying mutual fund manager (e.g., DFA). When desiring to communicate with a fund manager, we would ask that our firm serve as coordinator so that we may effectively assist both parties and follow up as necessary.

#### **Item 9 - Additional Information**

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

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

Our firm is not registered nor has an application pending to register as a FINRA or National Futures Association (NFA) member firm, nor are we required to be registered with such entities.

Neither our firm nor its management is or has a material relationship with any of the following types of entities:

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

Ownership of OBS Financial, Inc. is through OBS Holdings, Inc., which is subsequently owned by WBI OBS Holdings, LLC of Perrysburg, OH. As described in Item 4 of this brochure, on March 1, 2020, AssetMark completed the previously announced acquisition of all of the outstanding interest of WBI OBS Holdings, LLC. AssetMark is a wholly-owned indirect subsidiary of HTSC, a financial services and securities brokerage firm, incorporated in China and listed on the Shanghai and Hong Kong stock exchanges.

AssetMark is an indirect subsidiary of AssetMark Financial Holdings, Inc., a publicly traded company (NYSE: AMK). The following companies are under common control with AssetMark. AssetMark does not consider such affiliations to create a material conflict of interest for AssetMark or its clients. For those

affiliated companies you may interact with in connection with your AssetMark relationship, their industry activities are described in further detail below:

- AssetMark Brokerage, LLC
- AssetMark Retirement Services, Inc.
- AssetMark Trust Company
- Global Financial Private Capital, Inc.
- Global Financial Advisory, LLC

#### AssetMark Brokerage, LLC

AssetMark Brokerage, LLC (“AssetMark Brokerage”) is a broker-dealer registered with the SEC and is a member of FINRA. AssetMark Brokerage is affiliated with AssetMark by common ownership.

#### AssetMark Retirement Services, Inc.

AssetMark Retirement Services, Inc. is a Pennsylvania corporation and third-party administrator for AssetMark’s retirement offering.

#### AssetMark Trust Company

AssetMark Trust Company (“AssetMark Trust”) is an Arizona chartered trust company that serves as the custodian for certain Accounts on the AssetMark Platform. AssetMark Trust is affiliated with AssetMark by common ownership.

#### Global Financial Private Capital, Inc.

Global Financial Private Capital, Inc. (“GFPC”) is an investment adviser registered with the SEC and provides discretionary investment advisory services on a non-wrap fee basis to its clients, which consist of individuals, business entities, trusts, estates, charitable organizations and other entities. GFPC delivers its investment services through model portfolios. The models are provided from unaffiliated third-party managers, subject to oversight by GFPC personnel. The Firm engages various unaffiliated sub-advisers to manage the underlying portfolios in each model.

#### Global Financial Advisory, LLC

Global Financial Advisory, LLC is an insurance agency that provides marketing and sales support for non-variable insurance products. The types of products marketed include but are not limited to term life insurance, universal life insurance, whole life insurance, fixed annuities, and long-term care insurance.

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

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

OBS Financial believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate or at least minimize potential material conflicts of interest and to appropriately manage any material conflicts of interest that may remain. It is important to note that no set of rules



can anticipate or relieve all potential material conflicts of interest. Our firm will disclose to its clients any material conflict of interest relating to the firm, its representatives, or any of its associates which could reasonably be expected to impair the rendering of unbiased and objective advice (such as roles described in this section of the brochure or an associate's brochure supplement).

### ***Code of Ethics***

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

### ***Privacy Policy Notice***

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

### ***Investment Recommendations Involving Material Financial Interests***

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

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

### ***Personal Trading***

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

## Review of Accounts

### ***Scheduled Reviews***

The client's representative will periodically review reports provided to the client by the portfolio manager and may contact the client on an annual basis to offer a review of their financial situation and objectives.

Our firm will communicate information from the client via their representative to portfolio managers as warranted and will assist parties in understanding and evaluating the services provided by each manager. In certain instances, the client may be able to communicate with their portfolio manager.

Reviews will also be conducted on a macro level by our investment committee and supervisory staff, as well as at the client level by the client's representative. Normally these reviews involve analysis and possible revision of investment strategies and investment allocations, etc. A copy of a revised investment statement or asset allocation report will be provided to the client upon request.

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

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

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

### ***Content of Client Provided Reports and Frequency***

Clients will receive written performance reports based on the account activity from the custodial omnibus account<sup>4</sup> or direct account. Clients can log into the performance reporting system through a third-party vendor, Black Diamond, to view performance and run reports at any time. We urge each client to carefully review any performance reports for accuracy and clarity, and to ask questions when something is not clear.

### ***Retirement Account Rollover***

For clients who roll-over assets from a retirement plan account into a form of an IRA managed account, those individuals will be paying more in fees in the roll-over managed account than if the assets remained in the retirement plan account. Your advisor will review the assets held in your current retirement plan account and discuss the investment proposal for your new IRA managed account. Additionally, he/she will provide you with an explanation of the fees that will be charged for a managed

account. An advisor provides several different services for a roll-over managed account which your current retirement plan account may not have. This is why you will generally pay more in fees for a managed account. (Additional information is provided in our Investment Policy Statement)

#### Client Referrals and Other Compensation

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

OBS Financial may participate in a custodian's institutional programs and we require these same custodians to be used for our wrap fee program accounts for custody and brokerage services. We may receive economic benefit from a custodian in the form of the support products and services they make available to us and other independent investment advisors. There is no direct link between our participation in the program and the investment advice or services we provide our clients. Our firm receives economic benefits through its participation in the program. These benefits may periodically include the following products and services (provided either without cost or at a discount):

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

A custodian may also pay for business consulting and professional services received by our firm to assist us in managing and administering our accounts. Some of the products and services may favorably benefit our firm but may not benefit each investor's account, and they may also indirectly benefit accounts not maintained at a noted custodian. We may receive periodic referrals from a custodian, however, such introductions are not a factor in our selection of a custodian. As part of our fiduciary duty we endeavor to put the interests of our clients first. We believe it is also important to mention that the benefit received by our firm from a custodian does not depend on the amount of brokerage transactions directed to that custodian, and we believe our selection of each custodian is in the best interests of our clients since the selection is primarily supported by the scope, quality, and cost of their services -- not just those services that benefit only our firm.

#### Best Execution

"Best execution" means the most favorable terms for a transaction based on all relevant factors, including those listed in the previous paragraph. We recognize our obligation in seeking best execution for our clients, however, it is our belief that the determinative factor is not always the lowest possible cost but whether the selected service provider's transactions represent the best "qualitative execution"

while taking into consideration the full range of services provided. We will seek services involving competitive rates, but it may not necessarily correlate into the lowest possible rate for each transaction. We have determined that having our client's account trades executed through TD Ameritrade Institutional and Schwab is consistent with our duty to seek best execution of your trades. We also periodically review policies regarding our recommending custodians to our clients in light of our duty to seek best execution.

#### Directed Brokerage

Due to the type of investment services we provide to our wrap program clients, we require that they utilize the services of TD Ameritrade Institutional or Fidelity for custody and brokerage services. We do not direct TD Ameritrade Institutional or Fidelity to utilize a specific broker to execute trades for our firm's wrap fee accounts.

#### Trade Aggregation

Trade aggregation involves the purchase or sale of the same security for several clients/accounts at approximately the same time. This may also be termed "blocked," "bunched" or "batched" orders. Aggregated orders are typically done in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Our firm may but is not obligated to aggregate orders, and the firm does not receive additional compensation or remuneration as a result of aggregated transactions. Transaction charges and/or prices may vary due to account size and/or confirmation receipt method. To the extent that the firm determines to aggregate client orders for the purchase or sale of securities, including securities in which a related person may invest, the firm will generally do so in accordance with the parameters set forth in SEC No-Action Letter, *SMC Capital, Inc.*

#### Trade Errors

The firm corrects its trade errors through an account maintained by our custodian, and the firm or advisor may be responsible for trading error losses that occur within a client account. Should a gain occur, it may be netted against past losses. Gains created as a result of trading errors will be swept into a designated account maintained by our custodian and subsequently donated to a charity of our choosing. The charity will not have any affiliation or relation to OBS Financial.

As earlier noted, OBS Financial will charge all clients all costs associated with checks that are returned as non-sufficient funds. This includes, but is not limited to trade charges, market movement which may result in a gain or a loss, and any other custodial/clearing firm charges.

## ***Advisory Firm Payments for Investor Referrals***

### **Solicitor Engagements**

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

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

### **Financial Institution Referrals**

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

### **Referrals to Other Professionals**

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

### **Industry Memberships**

A firm associate may hold individual membership or serve on boards or committees of professional industry associations. Generally, participation in any of these entities require membership fees to be paid, adherence to ethical guidelines, as well as in meeting experiential and educational requirements. A benefit these entities may provide to the investing public is the availability of online search tools that allow interested parties (prospective clients) to search for individual participants within a selected state or region. These passive websites may provide means for interested persons to contact a participant via electronic mail, telephone number, or other contact information, in order to interview the participating member. The public may also choose to telephone association staff to inquire about an individual within their area and would receive the same or similar information. A portion of these participant's membership fees may be used so that their name will be listed in some or all of these entities' websites (or other listings). Prospective clients locating our firm or an associate via these methods are not actively

marketed by the noted associations. Clients who find us in this way do not pay more for their services than clients referred to us in another fashion, such as by another client. We do not pay these entities for prospective client referrals, nor is there a fee-sharing arrangement reflective of a solicitor engagement.

#### Financial Information

OBS Financial will not take physical custody of client assets. Advisory fee withdrawals must be done through a qualified intermediary (e.g., custodian of record), per prior written agreement, which is termed “constructive custody.”

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

Neither the firm nor its management serve as general partner for a partnership or trustee for a trust in which the firm’s advisory clients are either partners of the partnership or beneficiaries of the trust.

The firm and its management do not have a financial condition likely to impair the firm’s ability to meet commitments to our clients, nor have they been the subject of a bankruptcy petition at any time during the past 10 years.

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