



Appendix 1 of Form ADV, Part 2A  
Wrap Fee Program Brochure  
May 14, 2020

WealthSource® Partners, LLC  
735 Tank Farm Road, Suite 240  
San Luis Obispo, California 93401  
(805) 546-1000

This wrap fee program brochure provides information about the qualifications and business practices of WealthSource® Partners, LLC (“**WealthSource**”). If you have any questions about the contents of this brochure, please contact us at (805) 546-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority. Additional information about WealthSource is also available on the SEC’s website at [adviserinfo.sec.gov](https://adviserinfo.sec.gov) by searching for CRD No. 282202. References herein to WealthSource as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since the last annual amendment to this Wrap Fee Program Brochure on March 29, 2020, the Wrap Fees section was amended in order to correct prior disclosures regarding the calculation of prorated wrap fees for accounts billed in arrears and disclosures regarding how much time clients have to pay wrap fees when they are billed directly for such fees. The Methods of Analysis, Investment Strategies and Risk of Loss section was updated to remove descriptions of the Dynamic Allocation Models, Dynamic Allocation CA Tax-Aware Models, ESG Innovation Models, Strategic Allocation Models, and FlexBeta Models, which are now disclosed in our Investment Policy Statements with clients, and to remove disclosures relating to the Dynamic Allocation Plus Models, which are no longer formally offered by WealthSource. The Client Referrals and Other Compensation section was amended to provide enhanced disclosures regarding benefits received by WealthSource from TD Ameritrade, Inc., including a May 2020 payment by TDA to Orion Advisor Services, LLC (“Orion”) to cover a material portion of WealthSource’s expenses relating to WealthSource’s use of Orion’s portfolio management system. Additionally, the Other Financial Industry Activities and Affiliations section was amended to update information regarding Investment Adviser Representatives of WealthSource who engage in outside business activities as Licensed Insurance Agents/Producers. Finally, the Financial Information section was amended to provide disclosure regarding WealthSource’s receipt of a loan from the U.S. Small Business Administration under the Paycheck Protection Program due to the economic uncertainty caused by the Coronavirus Disease 2019 in order to ensure that certain recently hired, non-advisory employees would not need not need to be furloughed.

## Item 3 – Table of Contents

<b>Item 2 – Material Changes.....</b>	<b>2</b>
<b>Item 3 – Table of Contents .....</b>	<b>3</b>
<b>Item 4 – Services, Fees and Compensation .....</b>	<b>5</b>
Wrap Fee Program Services.....	5
Wrap Fees .....	5
Other Fees and Expenses Clients May Pay .....	6
IAR Compensation.....	7
<b>Item 5 – Account Requirements and Types of Clients .....</b>	<b>7</b>
<b>Item 6 – Portfolio Manager Selection and Evaluation .....</b>	<b>8</b>
Selection of Portfolio Managers.....	8
WealthSource as Portfolio Manager.....	8
WealthSource Advisory Services .....	8
Types of Advisory Services .....	8
Tailoring of Advisory Services .....	9
Wrap Fee Program Considerations.....	9
Performance-Based Fees and Side-By-Side Management.....	9
Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Proxy Voting.....	14
<b>Item 7 – Client Information Provided to Portfolio Managers .....</b>	<b>15</b>
<b>Item 8 – Client Contact with Portfolio Managers .....</b>	<b>15</b>
<b>Item 9 – Additional Information .....</b>	<b>15</b>
Disciplinary Information.....	15
Other Financial Industry Activities and Affiliations .....	15
Registered Representatives.....	15
Insurance Agents and/or Agencies .....	16
DPL Financial Partners, LLC .....	17
BlackRock Fund Advisors.....	17
Russell Investments Group, LLC .....	18
Third-Party Investment Managers .....	19

Sub-Advisory Agreement – Skyview Investment Advisors, LLC .....	19
Selling Agreement – The Pacific Financial Group, Inc. ....	19
Selling Agreement – FormulaFolio Investments, LLC .....	19
Two Rivers Fiduciary Co. ....	20
Rohr & Associates CPAs .....	20
Totus Tuus Consulting, Inc. ....	20
Timberline Bank .....	21
American Financial Network Advisory Services, LLC .....	21
Raymond James Financial, Inc. ....	21
TD Ameritrade, Inc. and TD Bank, N.A. ....	22
2019 WealthSource Advisor Summit Sponsors .....	22
Code of Ethics.....	23
Review of Accounts .....	23
Client Referrals and Other Compensation.....	24
Support Services and/or Products.....	24
Loans.....	26
Advisor Summit Sponsorships – TD Ameritrade, Inc. ....	26
Solicitation Fees Paid by WealthSource.....	26
Financial Information.....	26

## Item 4 – Services, Fees and Compensation

### WRAP FEE PROGRAM SERVICES

A “wrap fee program” provides clients with at least two types of services, investment advisory and trade execution, for a single “wrap” fee. The wrap fee paid to WealthSource by clients who participate in the WealthSource Managed Wrap Fee Program (the “**Program**”) covers all fees and costs associated with portfolio management, trade execution, custody, and client reporting relating to Program assets. All portfolio management services for clients participating in the Program are provided by WealthSource.

### WRAP FEES

WealthSource’s annual wrap fees are based on a percentage (%) of the market value of the client’s Program assets under WealthSource’s management. Wrap fees are generally charged monthly in advance but may also be charged quarterly in advance or monthly or quarterly in arrears. Wrap fees range from a minimum of 1.00% to a maximum of 2.50% and are calculated using the market value of the client’s Program assets on the last business day of the previous month or quarter using a 30/360 or 90/360 day-count convention, depending on the negotiated fee billing methodology. The final fee schedule negotiated with each Program client will be delineated in the client’s Investment Management Agreement with WealthSource (“**IMA**”). All wrap fee arrangements, however, are negotiated individually with each client based on various objective and subjective factors. These factors include, but are not limited to, the amount of the assets placed under WealthSource’s management, the investment strategy that the client’s Program assets are managed under, the level and scope of the overall investment advisory services to be rendered and the complexity of the engagement.

Program clients generally elect to have wrap fees deducted directly from their custodial account(s), but, in the alternative, may elect to be billed for such fees. When clients elect to have wrap fees deducted directly from their custodial accounts, the client’s IMA and/or the custodial/clearing agreement will authorize the custodian to debit the client’s accounts for the amount of WealthSource’s wrap fee and authorize the custodian to remit such fee to WealthSource. In the limited event that WealthSource bills the client directly for wrap fees, payment is due within fifteen (15) days of the issuance of WealthSource’s invoice.

Wrap fees are prorated for any new account opened during a calendar month or quarter. For clients billed in advance, the prorated wrap fee is determined by first calculating the monthly or quarterly wrap fee using the market value of the new assets on the date they came under WealthSource’s management and then multiplying that amount by the number of calendar days left in the month/quarter, including the day the new assets came under WealthSource’s management, and then dividing that amount by the number of calendar days in the month/quarter. For clients billed in arrears, the prorated wrap fee is determined by calculating the monthly or quarterly wrap fee using the market value of the new assets on the last business day of the month

or quarter and then multiplying that amount by the number of calendar days in the month/quarter that the account was under WealthSource's management, including the day the new assets came under WealthSource's management, and then dividing that amount by the number of calendar days in the month/quarter. WealthSource does not prorate its wrap fees with respect to cash flows except as part of a new account opening.

The IMA will continue in effect until terminated by either party in accordance with the terms of the IMA. In the event that a Program client terminates their IMA prior to the end of a month or quarter and is billed in advance, the client will receive a refund of any unearned wrap fees that were deducted from their custodial account(s). If the Program client was billed in arrears, the client will be responsible for paying pro-rated wrap fees for services rendered up to and through the date of termination. The amount of the refund is calculated by dividing the number of calendar days left in the month/quarter after the date of termination by the total number of calendar days in the month/quarter and multiplying that amount against the wrap fee that was received by WealthSource in advance for the month or quarter. The value of any amount owed is determined by calculating the monthly or quarterly wrap fee using the market value of the Program assets on the date of termination and then multiplying that amount by the number of calendar days in the month/quarter up to and including the date of termination and then dividing that amount by the total number of calendar days in the month/quarter.

Program clients should be aware that the wrap fees they pay may be more than the aggregate costs they would incur if they purchased each of the services provided by the Program separately. Additionally, the wrap fee is not based on the number of transactions effected in Program accounts and consequently, the likelihood that a client may pay higher investment advisory fees increases as the number of transactions effected in a client's Program account(s) decreases. Furthermore, while WealthSource does not charge Program clients higher fees based on the volume of trading in their Program account, WealthSource may have an incentive to limit trading in a client's Program account(s) because the execution costs that WealthSource incurs can be based on the aggregate number of trades executed in the accounts of Program clients. Program clients should also be aware that WealthSource has a conflict of interest when it recommends mutual funds that are available for purchase on a no-load and/or no-transaction fee basis over other comparable mutual funds that are subject to sales charges, which could have lower expense ratios, as well as exchange-traded funds and equity securities that are available for purchase on a commission-free and/or no-transaction fee basis because WealthSource does not incur any expenses relating to such transactions, which ultimately reduces WealthSource's costs in operating the Program, and because such cost savings are not passed through to Program clients.

## **OTHER FEES AND EXPENSES CLIENTS MAY PAY**

In addition to the wrap fee discussed above, clients may also pay markups/markdowns on fixed income transactions as well as bank service fees; wire transfer and electronic fund transfer fees; interest on loans, debit balances and margin accounts; borrowing charges on securities sold short; odd-lot differential fees; transfer taxes; and other fees and taxes on brokerage accounts and

securities transactions.

Mutual funds and exchange traded funds also charge internal management fees, which are paid to an unaffiliated third-party investment manager and disclosed in the fund's prospectus. Such charges and fees are exclusive of and in addition to WealthSource's wrap fee. Consequently, Program clients will pay two levels of investment management fees, one to WealthSource embedded in the wrap fee and one embedded within the net asset value of the mutual funds and exchange traded funds that Program clients are invested in.

## **IAR COMPENSATION**

Investment advisory representatives of WealthSource ("IAR") who recommend the Program to WealthSource clients receive a portion of WealthSource's wrap fees. The amount of compensation received by IARs for Program assets will vary and the amount of such compensation may be more than what they would receive if the Program client elected to pay separately for investment advice, brokerage, and other services. Consequently, IARs may have an incentive to recommend the Program to clients over other programs or services offered by WealthSource.

Furthermore, because WealthSource negotiates wrap fee arrangements individually with each Program client, WealthSource's clients could pay diverse fees for the same services. Program clients should be aware that the wrap fee arrangements that WealthSource negotiates with each client are not designed to result in the same level of net profitability for WealthSource. Although WealthSource believes that the wrap fee arrangements that it negotiates with each individual client are reflective of the value of the services that WealthSource provides to such client, Program clients should be aware that the services provided by WealthSource may be available from other investment advisers for a lower fee.

Program clients, consequently, are encouraged to review and assess the services that WealthSource provides as well as the overall value of the Program and make their own independent determinations as to whether to enter into a wrap fee arrangement with WealthSource.

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

WealthSource generally requires a minimum account opening balance of \$100,000 to open a Program account. Multiple accounts of immediately-related family members, at the same mailing address, however, may be considered one consolidated account for purposes of meeting the minimum account opening balance threshold. Additionally, WealthSource, in its sole discretion, may reduce or waive its minimum account opening balance requirement, however, program clients should be aware that the strategies that WealthSource offers through the Program may not be applied effectively for accounts smaller than \$100,000. Program clients are generally

individuals and high net worth individuals but may also include some trusts and pension plans.

## **Item 6 – Portfolio Manager Selection and Evaluation**

### **SELECTION OF PORTFOLIO MANAGERS**

All Program accounts are managed by WealthSource through the IAR assigned to the account. WealthSource does not currently make available outside portfolio managers as part of the Program. It is WealthSource's belief that both it and its IARs have sufficient financial background and experience to provide the types of portfolio management services offered by the Program. Program clients are encouraged to review the respective Form ADV, Part 2B(s) ("**Brochure Supplement**") for the IAR assigned to their Program account for information on their specific background and experience.

WealthSource does not calculate composite performance returns for itself or its IARs but may provide Program clients with quarterly performance information relative to their account(s). Program clients should be aware that no third-party, to WealthSource's knowledge, reviews any performance information that is created, prepared or distributed by or on behalf of WealthSource to determine the accuracy of the returns or its compliance with any applicable presentation standards. When providing quarterly performance information to clients, WealthSource endeavors to provide clients with time-weighted returns that are calculated on a uniform and consistent basis.

### **WEALTHSOURCE AS PORTFOLIO MANAGER**

As noted above, WealthSource is the only portfolio manager for the Program. Program clients should be aware that this practice of limiting the Program's offering of portfolio management services to those provided by WealthSource creates a conflict of interest as this practice allows WealthSource to retain a greater portion of the Program's wrap fees.

### **WEALTHSOURCE ADVISORY SERVICES**

As noted above, WealthSource acts as the sole portfolio manager for the Program through its IARs. The following provides information on the Advisory Services provided by WealthSource to Program clients.

#### **Types of Advisory Services**

WealthSource offers a variety of investment advisory services on a discretionary basis to Program clients. These services include, but are not limited to, the creation of investment and/or asset allocation strategies that are customized by the IAR for the client and/or the creation of customized portfolio allocations to model portfolios managed either by WealthSource's Chief Investment Officer and/or Investment Policy Committee, (hereafter, "**Platform Strategies**") or



by the IAR. The types of investments held in Program accounts will vary depending on the investment/asset allocation strategy and/or model portfolio utilized in the management of the Program account and can include, but are not limited to, exchange-traded funds (“ETFs”), mutual funds, exchange traded notes (“ETNs”), real estate investment trusts, equities, fixed income securities and options contracts (i.e., selling covered calls and purchasing puts and calls). WealthSource may also utilize margin and/or engage in short selling in the management of Program accounts. Program clients should be aware that the market value of a client’s account and corresponding fee payable by the client to WealthSource is generally increased as a result of the use of leverage and, consequently, a conflict of interest exists when WealthSource recommends the use of margin or short selling to Program clients.

### **Tailoring of Advisory Services**

WealthSource’s investment advisory services are tailored to the specific needs of each client. At the outset of each new client relationship, the IAR will ascertain the client’s investment objective(s), needs, and risk tolerance and, based on that information, recommend an investment strategy and asset allocation to the Program client.

All clients, regardless of investment strategy, have the ability to impose reasonable restrictions, at any time, on the securities or types of securities to be held in their portfolios. Restrictions, however, are deemed “unreasonable” (1) if they would interfere with the ability of WealthSource to make investment decisions in a timely manner or (2) if they would compel WealthSource to make investment decisions that would be inconsistent with the client’s investment objectives, time horizon and/or risk tolerance. Any investment restrictions or changes to such restrictions must be provided to WealthSource in writing and signed by the client. Please note that the imposition of one or more investment restrictions could result in investment returns that are less optimal than the investment returns that would have been achieved if no investment restrictions were imposed on WealthSource.

### **Wrap Fee Program Considerations**

With respect to the portfolio management services provided by WealthSource, there is no difference in how WealthSource manages Program accounts and how it manages its other advisory accounts. Clients should be aware that a portion of the Program’s wrap fee paid by the client is retained by WealthSource as compensation for its portfolio management services.

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

Neither WealthSource nor any IAR or other supervised person of WealthSource accepts performance-based advisory fees.

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

## Methods of Securities Analysis

IARs and/or WealthSource may use one or a combination of the following methods of securities analysis, directly or indirectly, as part of their overall investment management discipline:

### Fundamental Analysis

This is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. One of the primary assumptions of fundamental analysis is that the market price for a security does not fully reflect the security's "real" value. WealthSource may evaluate a combination of qualitative and quantitative factors to identify undervalued securities, based on both macroeconomic factors, such as the overall economy and industry conditions, and company-specific factors such as financial condition and management.

### Technical Analysis

This is a technique that attempts to determine a security's value by developing models and trading rules based on price and volume transformation. Technical analysis assumes that market prices reflect all relevant information, so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act on relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as trends, market participant behaviors, supply and demand and pricing patterns and correlations.

### Cyclical Analysis

This is a technique that analyzes historical relationships between price and market trends, to forecast the direction of prices. WealthSource may use cyclical analysis in conjunction with other strategies to help determine if shifts are required for its clients' investment strategies depending on long and short-term trends in financial markets and the performance of the overall national and global economy.

### Research

IARs have access to various research reports and/or sources as well as model portfolios that they may utilize in determining the investment advice to be given to the client. IARs chooses their own research methods, investment styles and management philosophies. Although WealthSource's Chief Investment Officer and/or Investment Policy Committee may distribute

recommendations to IARs on various topics such as asset allocation, individual securities or investment strategies, IARs may elect not to follow those recommendations in providing investment advice to clients. The following are some types of research that may be utilized by WealthSource and/or its IARs in determining the investment advice to be given to a client: Morningstar reports, financial newspapers and magazines (e.g. the Wall Street Journal, Forbes, etc.), annual reports, prospectuses, research materials prepared by others, SEC filings, press releases, corporate rating services, and company websites.

### *Investment Strategies and Transactions*

The primary investment strategies offered by the Program are the Platform Strategies. However, as each IAR determines their own investment styles and management philosophies in providing investment advice to clients, the ultimate availability of an investment strategy as part of the Program, including Platform Strategies, is dependent on the IAR. The following are descriptions of the Platform Strategies, which are currently offered through the Program:

- Dynamic Allocation Models
- Dynamic Allocation CA Tax-Aware Models
- Dynamic Allocation National Tax-Aware Models
- ESG Innovation Models
- Multi-Asset Income Models
- Strategic Allocation Models
- Tax Management Strategic Allocation Models
- Large-Cap Core Equity Strategy
- Large-Cap Equity Opportunities Strategy
- SMID-Cap Equity Opportunities Strategy
- Select Equity Opportunities Strategy

The development and maintenance of the Dynamic Allocation Models, Dynamic Allocation CA Tax-Aware Models, Dynamic Allocation National Tax-Aware Models, ESG Innovation Models, and Multi-Asset Income Models (collectively, “**Dynamic Models**”) is materially supported by BlackRock Fund Advisors and/or its affiliates, including BlackRock Investments, LLC (collectively, “**BlackRock**”), which provides WealthSource with investment research, model recommendations and marketing support at no cost. Research and recommendations provided by BlackRock to WealthSource, however, predominantly favor the use of iShares ETFs, which are distributed by BlackRock. While WealthSource is under no obligation to utilize iShares ETFs in the management of the Dynamic Models, such models will predominantly and sometimes exclusively utilize iShares ETFs in their construction. This creates a material conflict of interest for WealthSource as the receipt of such services from BlackRock reduces WealthSource’s operating costs, which creates an incentive for WealthSource to recommend and utilize products sponsored or distributed by BlackRock in the management of all client accounts. Clients of WealthSource invested in the Dynamic Models may incur commissions or transaction fees when

purchasing iShares ETFs. Clients should be aware that ETFs that are not sponsored or distributed by BlackRock that are comparable to iShares ETFs, with potentially lower internal expense ratios, may be available for investment without incurring any commissions or transaction fees. Please see the [“Item 9 – Additional Information”](#) section for additional information regarding BlackRock.

The development and maintenance of the Strategic Allocation Models and the Tax Management Strategic Allocation Models (collectively, “**Strategic Models**”) is materially supported by Russell Investments Group, LLC and/or its affiliates (collectively, “**Russell Investments**”), which provides WealthSource with investment research, models and marketing support at no cost. When providing mutual fund recommendations to WealthSource for the Strategic Models, Russell Investments only recommends mutual funds that they sponsor or offer. This creates a material conflict of interest for WealthSource as the receipt of such services from Russell Investments reduces WealthSource’s operating costs, which creates an incentive for WealthSource to recommend and utilize products sponsored or distributed by Russell Investments in the management of all client accounts. Clients of WealthSource invested in the Strategic Models may incur commissions/loads or transaction fees when purchasing mutual funds sponsored or offered by Russell Investments. Clients should be aware that mutual funds with lower internal expense ratios and/or which are available without incurring any commissions/loads or transactions fees that are otherwise comparable to those offered or sponsored by Russell Investments may be available for investment. It is, however, WealthSource’s belief that the Strategic Models would not operate as intended if such substitutions were made. Please see the [“Item 10 – Other Financial Industry Activities and Affiliations”](#) section for additional information regarding Russell Investments.

The Large-Cap Core Equity Strategy, Large-Cap Equity Opportunities Strategy, SMID-Cap Equity Opportunities Strategy and the Select Equity Opportunities Strategy are sub-advised by Skyview Investment Advisors, LLC (“**Skyview**”). Please see the [“Item 9 – Additional Information”](#) section for additional information regarding Skyview.

### *Risk of Loss*

All investing involves risk of loss, including the possible loss of all amounts invested. No methodology or investment strategy is guaranteed to be successful or profitable. Furthermore, different types of investments involve varying degrees of risk, and it should not be assumed that the future performance of any specific investment or investment strategy, including the investments and/or investment strategies recommended or undertaken by WealthSource, will be profitable or equal any specific performance level(s).

While WealthSource uses tools to try to reduce risk, the risk of loss always exists. In some cases, the amount of potential loss may exceed the amount of principal invested if leveraging tactics, such as margin or short selling, are used in the management of your account. Investing generally

works best when we understand your risk tolerance and when you communicate any changes to your investment objectives, needs, risk tolerance, and expectations to us promptly.

A number of material risks associated with WealthSource's investment strategies and the securities used to implement those strategies are set forth below. The following, however, is not meant to be a complete description of risks as WealthSource does not primarily recommend any particular type of security or investment strategy, but rather tailors its recommendations to the needs of its clients.

- Advisory / Management Risk: There is no guarantee that WealthSource's judgment or investment decisions will necessarily produce the intended results. WealthSource's judgment may prove to be incorrect, which could result in clients not achieving their investment objectives.
- Alternative Investments Risk: Alternative investments as well as securities that invest primarily in alternative investments and/or strategies may not be suitable for all investors and involve special risks, such as risks associated with commodities, real estate, leverage, selling securities short, derivatives, structured products and potential illiquidity.
- Credit / Counterparty Risk: Certain securities, such as Exchange-Traded Notes (i.e., ETNs) and structured products (e.g., digital barrier notes, contingent coupon callable yield notes, auto-callable step-up notes), are exposed to the risk that adverse economic events (e.g., bankruptcy or insolvency) may prevent the issuer or counterparty of a security from meeting its financial obligations thus impairing or erasing the value of the security.
- Exchange-Traded Funds: ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread", which generally varies based on the ETF's trading volume and market liquidity. Although many ETFs are registered as investment companies under the Investment Company Act of 1940, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- Foreign Investment Risk: Investments in securities of foreign issuers may involve risks that include fluctuations in currency exchange rates, political instability, confiscations, taxes or restrictions on currency exchange, difficulty in selling foreign investments, and reduced legal protections. These risks may be more pronounced for investments in developing countries.
- Frequent Trading Risk: A strategy involving the frequent trading of securities generally results in significantly higher portfolio turnover rates and can negatively affect investment performance due to increased expenses and/or financing charges. In addition, frequent trading is likely to result in short-term capital gains tax treatment.
- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. This effect is typically more pronounced for intermediate and longer-term obligations.
- Liquidity Risk: Due to a lack of demand in the marketplace or other factors, it may not be possible to sell certain securities promptly or it may only be possible to sell certain

securities at less than desired prices making it difficult to value the security or sell it in a timely manner at an acceptable price.

- **Margin Risk:** If the securities in a margin account decline in value, the value of the collateral supporting the margin loan also declines, which could result in a margin call that could (1) force you to sell securities or other assets in the account, (2) result in the broker-dealer selling your securities or other assets without contacting you, and/or (3) result in the broker-dealer moving securities from your other account(s) to your margin account and pledging the transferred securities. Additionally, since you are borrowing funds to purchase securities, you can incur losses greater than the amount of your investment.
- **Market Risk:** The price of any security, including bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Model Risk:** All models utilized in the management of client accounts carry the risk that the model might be based on one or more incorrect assumptions.
- **Options Risk:** Certain types of options trading may be used to gain long exposure to a security for a specific period of time (i.e., purchasing call options), to offset/hedge a potential market risk in a client's portfolio (i.e., purchasing put options on a security held in the client's account) or to generate income (i.e., selling (writing) covered call options). When writing covered call options, there is the additional risk that you may no longer own the underlying security if it is called away.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Short Selling Risk:** When short selling, there is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, wherein the seller might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

### **Proxy Voting**

WealthSource does not vote client proxies or accept authority to vote client securities. Instead, Program clients will receive proxies and/or other solicitations directly from their account custodian or a transfer agent and maintain exclusive responsibility for directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted. Program clients may contact WealthSource to discuss questions they may have with respect to a particular proxy and/or other solicitation, however, WealthSource is under no responsibility to give any advice on how to vote such proxy.



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

Because WealthSource is both the sponsor and sole portfolio manager of the Program, WealthSource has complete access to all information about all Program clients and IARs have complete access to all information with respect to their Program clients. Furthermore, as IARs are generally the primary recipient of all information submitted by clients to WealthSource, it is generally not necessary for WealthSource to provide updated client information to its IARs.

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

WealthSource does not impose any restrictions on the ability of Program clients to directly contact and/or consult with WealthSource or their IAR.

## **Item 9 – Additional Information**

### **DISCIPLINARY INFORMATION**

Neither WealthSource nor any of its management persons have been the subject of any legal or disciplinary events that are material to an evaluation of WealthSource’s advisory business or the integrity of its management.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **Registered Representatives**

IARs, in their individual capacities separate from WealthSource, may be registered representatives of broker-dealers that are unaffiliated with and independent of WealthSource (“**Registered Representatives**”). Registered Representatives may recommend and/or sell certain investment products on a commission basis to clients. WealthSource does not charge any wrap fees on such investments, does not share in any commission revenue received by Registered Representatives and does not provide any investment advisory services with respect to such investments. The receipt of commission compensation by Registered Representatives, however, creates a conflict of interest as the recommendation to purchase an investment product may have initially resulted from financial planning services provided to the client and may be influenced by the commission compensation to be received, rather than solely on the needs and best interests of the client. WealthSource addresses this conflict of interest by disclosing the conflict in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to use the brokerage services of Registered Representatives.

- Campbell, Alan (CRD No. 39028) – Fortune Financial Services, Inc. (CRD No. 42150)
- Gordon, Eugene (CRD No. 4744448) – Fortune Financial Services, Inc.

- Propst, Joel (CRD No. 2029338) – Fortune Financial Services, Inc.
- Swanson, Kevin (CRD No. 2528342) – APW Capital, Inc. (CRD No. 43814)

### **Insurance Agents and/or Agencies**

IARs, in their individual capacities separate from WealthSource, may be licensed insurance agents (“**Insurance Agents**”) and may recommend and/or sell certain insurance products on a commission basis to clients. WealthSource does not charge any wrap fees on insurance products purchased on a commission basis, does not share in any commission revenue received by Insurance Agents, and does not provide any ongoing investment advisory services with respect to such insurance products. The receipt of commission compensation by Insurance Agents, however, creates a conflict of interest as the recommendation to purchase an insurance product may have initially resulted from financial planning services provided to the client and may be influenced by the commission compensation to be received, rather than solely on the needs and best interests of the client. Additionally, the services of Insurance Agents may be recommended by WealthSource and/or its other non-insurance licensed IARs. As a result of such referrals, Insurance Agents may receive increased compensation creating a conflict of interest. WealthSource addresses these conflicts of interest by disclosing them in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to use the services of Insurance Agents or their affiliated Insurance Agencies.

- Insurance Agents
  - Campbell, Alan (CA License #0775396) – Opis Insurance Services, Inc.
  - Ermelbauer, Carl (CA License #0M76409)
  - Gordon, Eugene (CA License #0E48642)
  - Hazama, Davee (CA License #0C02823)
  - Klomsue, Navy (CA License #0F19399, HI License #462839, NV License #3314503)
  - Murray, Jeffrey (CO License #399311, CA License #0B20030) – Strategic Planning LLC
  - Propst, Joel (CO License #30157, AZ License #718437, HI License #119331, IL License #718437, MI License #0315495, MN License #20253605, NY License #1447006, TX License #915943)
  - Sullivan, A. Bryan (CA License #0B55578) – WealthSource Insurance Services, LLC
  - Swanson, Kevin (CA License #0B59064) – WealthSource Insurance Services, LLC
  - Tesch, Robert (CO License #1994)
  - Jason Zivich (CA License #0G63428, TX License #2365747)
- Insurance Agencies
  - Opis Insurance Services, Inc. (CA License #0B60885)



- Strategic Planning LLC (CO License #441939)
- WealthSource Insurance Services, LLC (CA License #0K70809)

### **DPL Financial Partners, LLC**

WealthSource has entered into a Membership Agreement with DPL Financial Partners, LLC (“DPL”, KY Insurance License #954464, CA Insurance License #0M42434, NAIC NPN 18412895), which operates a turnkey insurance management platform. As a result of WealthSource’s membership, clients have access to a variety of insurance products (e.g. life insurance, variable annuities, fixed index annuities, single premium immediate annuities, buffer annuities, fixed annuities) that are generally commission-free. Consequently, the insurance products available from DPL will oftentimes differ from those available from IARs in their separate individual capacity apart from WealthSource as licensed insurance agents or from other third-party insurance agents. As part of its service offering, DPL receives compensation from WealthSource in the form of an annual membership fee and compensation from the carriers underwriting the insurance products sold by DPL to clients in the form of an administrative fee. WealthSource does not share in any compensation received by DPL but assesses an Insurance Planning Fee based on the cash value of the insurance products sold by DPL to clients. Clients are under no obligation to utilize DPL’s services and may seek insurance products, services and/or advice from any licensed agent.

### **BlackRock Fund Advisors**

BlackRock Fund Advisors (“BlackRock”, CRD No. 105247) has granted WealthSource with access to its Aladdin® Platform, a portfolio management and risk analytics operating system, as well as marketing support at no cost to WealthSource. Investment models generated by the Aladdin® Platform are used by WealthSource in the development and maintenance of the WSP Dynamic Allocation Models and their related series. The investment models generated by the Aladdin® Platform predominantly and sometimes exclusively utilize iShares ETFs, which are sponsored, distributed and/or advised by BlackRock. WealthSource’s receipt of investment research, models and/or technology from BlackRock creates a conflict of interest for WealthSource because the receipt of these benefits reduces WealthSource’s operating costs, which, in turn, creates an incentive for WealthSource to recommend and/or use iShares ETFs and/or other BlackRock products in the investment management of client accounts. BlackRock does not provide and is not responsible for providing investment advice to clients of WealthSource, does not participate in or make any investment decisions on behalf of WealthSource or clients of WealthSource, does not endorse any investment decision or recommendation made by WealthSource or its IARs, and has no obligation to continue to provide WealthSource with its investment models and/or access to the Aladdin® Platform.

In addition to investment research, models and/or technology, BlackRock provides or may provide discounted or free attendance to conferences, meetings and other educational or social events, which may include full coverage of travel expenses to such events. Clients should be

aware that the receipt of these benefits creates a conflict of interest for WealthSource as it creates another incentive for WealthSource to recommend the use of iShares ETFs and/or other BlackRock products in the investment management of client accounts. BlackRock also sponsored WealthSource's 2018 and 2019 Advisor Summits, which reduced the cost to WealthSource of hosting them and thus created a conflict of interest for WealthSource because it created an incentive for WealthSource to recommend and use iShares ETFs and/or other BlackRock products in the investment management of client accounts.

WealthSource addresses these conflicts of interest by (1) providing disclosure of the relationship and the associated conflicts of interest to clients in this Wrap Fee Program Brochure and (2) reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products associated with BlackRock.

### **Russell Investments Group, LLC**

Russell Investments Group, LLC ("**Russell Investments**"), which includes Russell Investments Financial Services, LLC (CRD No. 21771) and Russell Investments Management, LLC (CRD No. 105734), provides WealthSource with investment research, models and marketing support at no cost. Investment models provided by Russell Investments are used by WealthSource in the development and maintenance of the WSP Strategic Allocation Models and their related series. Mutual fund recommendations provided to WealthSource by Russell Investments, however, are exclusively limited to mutual funds that are sponsored or offered by Russell Investments. WealthSource's receipt of investment research, models and/or marketing support from Russell Investments creates a conflict of interest for WealthSource because the receipt of these benefits reduces WealthSource's operating costs, which, in turn, creates an incentive for WealthSource to recommend and/or use Russell Investments' products in the investment management of client accounts.

In addition to investment research, models and/or marketing support, Russell Investments provides or may provide discounted or free attendance to conferences, meetings and other educational or social events, which may include full coverage of travel expenses to such events. Clients should be aware that the receipt of these benefits creates a conflict of interest for WealthSource as it creates another incentive for WealthSource to recommend the use of Russell Investments' products in the investment management of client accounts. Russell Investments also sponsored WealthSource's 2019 Advisor Summit, which reduced WealthSource's cost in hosting the Advisor Summit and thus created a conflict of interest for WealthSource because it created another incentive for WealthSource to recommend and use Russell Investments' products in the investment management of client accounts.

WealthSource addresses these conflicts of interest by (1) providing disclosure of the relationship and the associated conflicts of interest to clients in this Wrap Fee Program Brochure and (2) reminding clients that they have the ability to impose reasonable restrictions on the securities or

types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products associated with Russell Investments.

### **Third-Party Investment Managers**

For accounts not participating in the Program, WealthSource may recommend the portfolio management services of unaffiliated Third-Party Investment Managers (“TPIM”), which are registered investment advisers with either the SEC or one or more state securities authorities, on a discretionary or non-discretionary basis to clients. When recommending TPIMs on a non-discretionary basis, WealthSource serves as a solicitor and receives a solicitation fee from the TPIM for its recommendation of the TPIM’s services, which creates a material conflict of interest for WealthSource.

### **Sub-Advisory Agreement – Skyview Investment Advisors, LLC**

WealthSource has entered into a Model Portfolio and Investment Subadvisory Services Agreement with Skyview Investment Advisors, LLC (“Skyview”, CRD No. 286353) pursuant to which Skyview has agreed to provide to WealthSource (1) investment models and ongoing investment, allocation and/or rebalancing recommendations relating to such models and (2) investment sub-advisory services to separately managed accounts belonging to clients of WealthSource.

### **Selling Agreement – The Pacific Financial Group, Inc.**

WealthSource has entered into a Selling Agreement with The Pacific Financial Group, Inc. (“TPFG”, CRD No. 105203), a TPIM, pursuant to which WealthSource solicits the participants of retirement plans to become clients of TPFG and makes recommendations to those participants to allocate their self-directed brokerage account assets into managed portfolios and/or mutual funds managed by TPFG. In making investment allocation recommendations pursuant to this arrangement, plan participants should be aware that WealthSource has a conflict of interest when it recommends that participants allocate assets from their core account to their self-directed brokerage account and has a conflict of interest when it recommends that self-directed brokerage account assets be invested in TPFG’s managed portfolios and/or mutual funds. WealthSource addresses these conflicts of interest by providing disclosure of the arrangement and the associated conflicts of interest to clients in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to purchase investments offered by TPFG.

### **Selling Agreement – FormulaFolio Investments, LLC**

WealthSource, through its IARs, may refer clients to FormulaFolio Investments, LLC (“FormulaFolios”, CRD No. 153467) for investment advisory services. Clients referred to FormulaFolios will have their assets managed according to FormulaFolios’ investment process utilizing their proprietary investment strategies and portfolios. For its referral services,

WealthSource is entitled to a portion of the investment advisory fees received by FormulaFolios from clients referred by WealthSource, which creates a conflict of interest for WealthSource. WealthSource addresses this conflict of interest by providing disclosure of the arrangement and the associated conflict of interest in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to utilize the investment advisory services of FormulaFolios.

### **Two Rivers Fiduciary Co.**

WealthSource may recommend the trust, estate, fiduciary, custodial and/or other services of Two Rivers Fiduciary Co. doing business as Two Rivers Trust Co. (“**Two Rivers**”), a Colorado corporation that is a trust service office of The Midwest Trust Company, a Kansas non-depository trust company. Douglas Boyd May, IAR, is an indirect minority owner of Two Rivers and serves as a Director on Two Rivers’ Board of Directors. Two Rivers may use WealthSource’s investment advisory services for its clients in need of such services. Consequently, conflicts of interest exist when WealthSource recommends the services of Two Rivers to its existing or prospective clients. WealthSource addresses these conflicts of interest by disclosing the conflict in this Wrap Fee Program Brochure and reminding clients that they are under no obligation to use the services of Two Rivers.

### **Rohr & Associates CPAs**

Daniel Rohr, IAR, is a Certified Public Accountant and the Managing Shareholder of Rohr & Associates CPAs. Clients of WealthSource assigned to Mr. Rohr may also be clients of Rohr & Associates CPAs and receive tax preparation and planning, bookkeeping, and accounting services, which are separate from WealthSource’s investment advisory and financial planning services. Additionally, WealthSource and/or its other IARs may recommend Rohr & Associates CPAs to clients for tax preparation and planning, bookkeeping, and accounting services. Neither WealthSource nor its other IARs receive any fees for such referrals. Mr. Rohr, in his capacity as an IAR, may solicit clients of Rohr & Associates CPAs to become clients of WealthSource. Consequently, a conflict of interest exists when Mr. Rohr solicits his tax and accounting clients to become investment advisory clients of WealthSource as it may result in increased compensation to him. WealthSource addresses this conflict of interest by disclosing it and reminding prospective clients that they are not under any obligation to engage the investment advisory services of WealthSource or the tax and accounting services of Rohr & Associates CPAs and that comparable services may be available from other investment advisers and accountants, respectively.

### **Totus Tuus Consulting, Inc.**

WealthSource has entered into a solicitation arrangement with Totus Tuus Consulting, Inc. (“**Totus Tuus**”, FL Ins. License No. L083169), a licensed insurance agency in the state of Florida, which is owned and operated by Francis Joseph Benischeck (FL Ins. License No. A018942), a licensed insurance agent in the State of Florida, pursuant to which Totus Tuus is

compensated by WealthSource for referrals of prospective investment advisory clients. In light of this compensation arrangement, clients should be aware that Totus Tuus and Mr. Benischeck have a conflict of interest when recommending the investment advisory services of WealthSource.

### **Timberline Bank**

WealthSource has entered into a solicitation arrangement with Timberline Bank (“**Timberline**”, FDIC #57857), a Colorado bank regulated by the Federal Deposit Insurance Corporation, pursuant to which Timberline is compensated by WealthSource for referrals of prospective investment advisory clients. In light of this compensation arrangement, clients should be aware that Timberline has a conflict of interest when recommending the investment advisory services of WealthSource.

### **American Financial Network Advisory Services, LLC**

WealthSource has entered into a solicitation arrangement with American Financial Network Advisory Services, LLC (“**AFN**”, CRD No. 160322) pursuant to which AFN is compensated by WealthSource for referrals of prospective investment advisory clients. In light of this compensation arrangement, clients should be aware that AFN has a conflict of interest when recommending the investment advisory services of WealthSource.

### **Raymond James Financial, Inc.**

Raymond James Financial, Inc., directly or through one of its subsidiaries (e.g., Raymond James & Associates, Inc. (CRD No. 705) or Raymond James Financial Services, Inc. (CRD No. 6694), collectively, “**Raymond James Financial**”), has provided a transition assistance loan to WealthSource. The terms of the loan allow for forgiveness of the amount borrowed if WealthSource maintains a certain amount of its assets under management in the custody of Raymond James Financial. In the event, however, that required asset levels are not met, WealthSource will be required to repay portions of the transition assistance loan. WealthSource’s receipt of a loan from Raymond James Financial creates a material conflict of interest for WealthSource as it creates an incentive for WealthSource to recommend the custodial and/or brokerage services as well as other proprietary investment and/or banking products and/or services of Raymond James Financial and/or its affiliates to clients over the products and/or services offered by other custodians and/or broker-dealers. WealthSource addresses this conflict of interest by (1) providing disclosure of the conflict in this Wrap Fee Program Brochure, (2) reminding clients that while WealthSource may recommend the custodial and/or brokerage services of Raymond James Financial to you, you may choose a custodian other than Raymond James Financial to maintain custody of your assets under WealthSource’s management and (3) reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products and/or services associated with Raymond James Financial.

**TD Ameritrade, Inc. and TD Bank, N.A.**

TD Ameritrade, Inc. (“TDA”, CRD No. 7870) sponsored WealthSource’s 2018 and 2019 Advisor Summits, which creates a conflict of interest for WealthSource because it creates an incentive for WealthSource to recommend the custodial and brokerage services as well as other proprietary investment and/or banking products and/or services of TDA and/or its affiliates to clients. WealthSource addresses these conflicts of interest by (1) providing disclosure of the sponsorship and the associated conflicts of interest to clients in this Wrap Fee Program Brochure, (2) reminding clients that while WealthSource may recommend the custodial and/or brokerage services of TDA to you, you may choose a custodian other than TDA or its affiliates to maintain custody of your assets under WealthSource’s management and (3) reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products and/or services associated with TDA and/or its affiliates.

**2019 WealthSource Advisor Summit Sponsors**

In September of 2019, WealthSource held its most recent Advisor Summit for its IARs. Various financial industry participants sponsored the Advisor Summit paying summit expenses on behalf of WealthSource. In turn, sponsors were given the opportunity to advertise at the Advisor Summit, meet with IARs face to face or in groups, and present for a segment of the Advisor Summit. The majority of sponsors were investment advisers to or underwriters/distributors of mutual funds and/or exchange-traded funds, which may be recommended to clients and/or utilized in the investment management of client accounts. In addition to those investment products, many of the Advisor Summit Sponsors and/or their affiliates offer other proprietary investment products and/or services, which may also be recommended to clients and/or utilized in the investment management of client accounts. Consequently, WealthSource’s receipt of sponsorships creates a conflict of interest for WealthSource because it creates an incentive for WealthSource to recommend to clients (1) the proprietary investment products and/or services of the Advisor Summit Sponsors or their affiliates and (2) any non-proprietary investment products that Advisor Summit Sponsors or their affiliates serve as the investment adviser, underwriter or distributor to. WealthSource addresses these conflicts of interest by providing disclosure of these sponsorships and the associated conflicts of interest to clients in this Wrap Fee Program Brochure and reminding clients that they have the ability to impose reasonable restrictions on the securities or types of securities to be held in their portfolios, including a restriction on the purchase and/or use of investment products and/or services associated with Advisor Summit Sponsors or their affiliates. The 2019 Advisor Summit Sponsors were:

- BlackRock Investments, LLC (CRD No. 38642) – 2018 sponsor
- First Trust Portfolios L.P. (CRD No. 28519) / First Trust Advisors LP (CRD No. 107027) – 2018 sponsor
- TD Ameritrade, Inc. (CRD No. 7870) – 2018 sponsor



- Russell Investments Financial Services, LLC (CRD No. 21771) / Russell Investments Management, LLC (CRD No. 105734)

## CODE OF ETHICS

WealthSource maintains a Code of Ethics that includes (1) standards of business conduct that all of our supervised persons are expected to adhere to; (2) a prohibition on insider trading; (3) provisions relating to the receipt and giving of gifts, and (4) policies and procedures requiring the periodic reporting of personal securities transactions and holdings. As our client or prospective client, you are entitled to a copy of our Code of Ethics upon request. You may request a copy by contacting us at (805) 546-1000.

WealthSource and/or its supervised persons may buy or sell securities that are also held by or recommended to clients and may occasionally trade in securities in a personal account, at or about the same time that WealthSource trades in the same security, or a related security, for a client account. When either of these situations occur, conflicts of interest exist because WealthSource and/or its IAR(s) (1) may have an incentive not to recommend the sale of those securities to clients in order to protect the value of a personal investment (2) may have an incentive to recommend the purchase of those securities to clients in order to immediately sell it at a profit in a personal account upon the rise in market price (i.e., scalping) and (3) may have an incentive to place personal investment orders before those of clients in order to obtain a better price and/or otherwise materially benefit from the purchase or sale of those securities (i.e., front run). When engaging in personal trading, we believe that our clients' interests should come first, and our supervised persons are reminded of WealthSource's fiduciary duty and their obligation to comply with WealthSource's standards of business conduct. Additionally, WealthSource monitors the personal securities transactions and holdings of its access persons for any activity that may indicate a violation of WealthSource's Code of Ethics.

## REVIEW OF ACCOUNTS

Account reviews are conducted by the Program client's IAR, generally quarterly, but no less frequently than annually. Account reviews are performed to assess the client's progress toward their investment objectives and to determine whether any changes with respect to the investment management of the client's account are warranted in light of the client's financial situation, risk tolerance and investment objectives. Program clients, however, are advised that it is your responsibility to promptly notify WealthSource if there are ever any changes to your financial situation, goals, needs or investment objectives.

Account reviews may also be conducted by the client's IAR on an ad hoc basis upon the occurrence of a triggering event, such as a change in a client's financial situation (e.g., retirement, termination of employment, physical move, inheritance) or investment objectives; the occurrence of material market, economic or political events; or at the client's request.

Clients may be provided with written quarterly performance reports that contain holdings information, beginning and ending market values, asset allocation information by sector and asset class, and performance return information. Written quarterly performance reports are provided for client convenience only and should not be relied on for tax purposes. Clients should rely on their custodial account statements as the official record of their account(s).

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **Support Services and/or Products**

#### **Charles Schwab & Co., Inc. and Raymond James & Associates, Inc.**

Charles Schwab & Co., Inc. (“**Schwab**”) and Raymond James & Associates, Inc. (“**Raymond James**”) make available to us, without cost and/or at a discount, support services and/or products, some of which assist WealthSource in better monitoring and servicing client accounts, but some of which benefit WealthSource without directly benefiting clients or their account(s). Included within the support services that may be obtained by WealthSource are investment-related research, both proprietary and that of third parties; pricing information and market data; software and other technology (e.g., Tamarac PortfolioCenter, MoneyGuide Pro) that provide access to client account data and/or assist in creating client reports; compliance and/or practice management-related publications; discounted or free consulting services; discounted or free attendance at conferences, meetings, and other educational and/or social events, which may include full coverage of travel expenses to such events; marketing support; computer hardware and/or software and/or other products used by WealthSource in furtherance of its investment advisory business. Program clients should be aware that WealthSource uses support services and/or products from Schwab and/or Raymond James to service and/or otherwise benefit all or a substantial number of WealthSource’s clients, including clients whose accounts are held in custody at a broker-dealer other than the one providing the product or service.

As all brokerage commissions and transaction fees for Program accounts are paid by WealthSource, Program clients do not pay more for executing transactions as a result of WealthSource’s receipt of support services and/or products. Furthermore, WealthSource has not committed to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products with or through the firms noted above as a result of any existing arrangement, but is generally expected to maintain or commit to maintaining a certain amount of its assets under management in accounts that are in the custody of the broker-dealer custodian providing the product(s) and/or service(s). The availability of the services and/or products noted above benefit WealthSource because we do not have to produce or purchase them. Consequently, clients should be aware that the receipt of support services and/or products by WealthSource and/or our related persons from Schwab and/or Raymond James in and of itself creates a conflict of interest as it creates an incentive for WealthSource to recommend the custodial and brokerage services of Schwab and/or Raymond James over other broker-dealers.



TD Ameritrade, Inc.

WealthSource receives certain economic benefits from TDA, without cost or at a discount, which may or may not benefit Program clients. The amount and type of benefits received from TDA vary based on the amount of WealthSource's assets under management that are maintained in TDA's custody and/or the amount of new assets under management placed under TDA's custody. Some of the benefits received from TDA are made available to any investment adviser utilizing TDA's custodial services, some benefits are made available only to investment advisers such as WealthSource that participate in the TD Ameritrade Institutional program, and some benefits may only be available to WealthSource. Additionally, some of the benefits are provided to WealthSource on an ongoing and recurring basis while other benefits are provided on a one-off basis.

For example, in 2020, TDA made a one-off payment to Orion Advisor Services, LLC ("Orion") to cover a material portion of WealthSource's ongoing expenses relating to WealthSource's use of Orion's portfolio management system. Other support services that may be provided by TDA to WealthSource are investment-related research, both proprietary and that of third parties; pricing information and market data; software and other technology that provide access to client account data and/or assist in creating client reports; compliance and/or practice management-related publications; discounted or free consulting services; discounted or free attendance at conferences, meetings, and other educational and/or social events, which may include full coverage of travel expenses to such events; marketing support; computer hardware and/or software and/or other products used by WealthSource in furtherance of its investment advisory business.

As all brokerage commissions and transaction fees for Program accounts are paid by WealthSource, Program clients do not pay more for executing transactions as a result of WealthSource's receipt of benefits and/or support services or products. Furthermore, although WealthSource has not committed to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products with or through TDA, WealthSource is generally expected to maintain or commit to maintaining a certain amount of assets under management in TDA's custody in order to receive or continue to receive benefits and/or support services or products. The availability of the benefits and/or support services or products noted above benefit WealthSource because we do not have to produce or purchase them and, consequently, Program clients should be aware that the receipt of these benefits by WealthSource from TDA creates a conflict of interest for WealthSource and/or our related persons and creates an incentive for us to recommend the custodial and/or brokerage services of TDA over other broker-dealers such as Schwab and/or Raymond James. Program clients should also be aware that WealthSource uses support services and/or products from TDA to service and/or otherwise benefit all or a substantial number of WealthSource's clients, including clients whose accounts are held in custody at a broker-dealer other than TDA.

### **Loans**

Raymond James Financial has provided a transition assistance loan to WealthSource that requires that WealthSource maintain a certain amount of its assets under management in the custody of Raymond James Financial. WealthSource's receipt of such loan from Raymond James Financial creates a material conflict of interest for WealthSource as it creates an incentive for WealthSource to recommend the custodial and/or brokerage services of Raymond James Financial over those of other custodians and/or broker-dealers who (1) have not lent money to WealthSource or (2) have not offered to lend money to WealthSource on terms as favorable as those offered by Raymond James Financial.

### **Advisor Summit Sponsorships – TD Ameritrade, Inc.**

TDA was a cash sponsor of WealthSource's 2018 and 2019 Advisor Summits, which creates a material conflict of interest for WealthSource because it reduces WealthSource's out-of-pocket costs to host its Advisor Summit and thus creates an incentive for WealthSource to recommend the custodial and/or brokerage services of TDA over those of other custodians and/or broker-dealers.

### **Solicitation Fees Paid by WealthSource**

WealthSource utilizes the solicitation services of Totus Tuus Consulting, Inc., a licensed insurance agency with the state of Florida (FL Ins. License No. L083169), Timberline Bank (FDIC #57857), a Colorado bank regulated by the Federal Deposit Insurance Corporation and American Financial Network Advisory Services, LLC, an investment adviser registered with the SEC (CRD No. 160322). Pursuant to their separate arrangements with WealthSource, they refer prospective investment advisory clients to WealthSource and, in return, receive a percentage of the investment advisory fees received by WealthSource from those clients. In light of these compensation arrangements, clients should be aware that these solicitors have a material conflict of interest when recommending the investment advisory services of WealthSource. Clients who are recommended the investment advisory services of WealthSource by these solicitors should receive a copy of their respective Solicitors Disclosure Document in addition to this Wrap Fee Program Brochure, which contains important information about his or its solicitation arrangement with WealthSource that should be read carefully.

## **FINANCIAL INFORMATION**

In April of 2020, due to economic uncertainty resulting from the Coronavirus Disease 2019 ("COVID-19"), WealthSource applied for and received a loan from the U.S. Small Business Administration under the Paycheck Protection Program ("PPP Loan") in order to support WealthSource's ongoing operations. While the economic impact of COVID-19 on WealthSource's ongoing operations have not impaired nor are they anticipated to impair, in any

way, WealthSource's ability to meet its contractual commitments to clients, receipt of the PPP Loan helped to ensure that certain recently hired, non-advisory employees would not need to be furloughed. The proceeds of WealthSource's PPP Loan are being used in accordance with the PPP Loan's forgiveness guidelines.

WealthSource is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients.