

## Form ADV Part 2A Disclosure Document (Brochure)



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This brochure provides information about the qualifications and business practices of West Chester Capital Advisors®, Inc. West Chester Capital Advisors®, Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information about which you determine to hire or retain an advisor.

If you have any questions about the contents of this brochure, please contact West Chester Capital Advisors®, Inc. in writing or by telephone at (814)533-5338. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about West Chester Capital Advisors®, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 105846.

## **Item 2: Material Changes**

West Chester Capital Advisors<sup>®</sup>, Inc. has updated Form ADV Part 2A (brochure).

Since the last annual amendment in March of 2020, we have updated Item 8 of this brochure to include important disclosures about the use of leveraged products and exchange traded funds as well as the risks associated with investing in these types of assets. See Item 8 for more information.

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## Item 4: Advisory Business

West Chester Capital Advisors®, Inc. is a SEC-registered investment advisor with its principal place of business located in Johnstown, PA. West Chester Capital Advisors®, Inc. began conducting business in 1994. West Chester Capital Advisors®, Inc. is a wholly owned subsidiary of AmeriServ Financial Bank®. AmeriServ Financial Bank® is a wholly owned subsidiary of AmeriServ Financial®, Inc., a bank holding company.

West Chester Capital Advisors®, Inc. ("WCCA") offers the following advisory services to our clients:

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our Firm provides asset management of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients have the option to impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

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

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Exchange Traded Funds
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve certain additional degrees of risk, they will only be implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **INVESTMENT MANAGEMENT & ADVISORY SERVICES**

AmeriServ Trust and Financial Services Company®, an affiliate, provides services which include trust and estate administration, agency, pension, profit-sharing, 401(k) and 403(b) plans as well as custom designed accounts and non-qualified plans for special purposes. WCCA provides investment management services for all of AmeriServ's discretionary investment assets and is compensated in accordance with the applicable investment management agreement.

### **PATHROAD ACCOUNT® FAMILY OF FUNDS (COLLECTIVE TRUST FUNDS)**

West Chester Capital Advisors®, Inc. provides investment advisory services under agreement with AmeriServ Trust and Financial Services Company® to the Pathroad Account® Family of Funds. The Pathroad Account® Family of Funds are collective trust funds maintained by AmeriServ Trust and Financial Services Company®, trustee of the Funds. Collective trust funds are not registered under the Investment Company Act of 1940 and investments can only be made through a qualified retirement plan.

### **AMOUNT OF MANAGED ASSETS**

As of December 31, 2019, West Chester Capital Advisors®, Inc. managed \$960,091,337 of assets on a discretionary basis.

## **Item 5: Fees and Compensation**

### **PORTFOLIO MANAGEMENT SERVICES FEES**

Our fees for Portfolio Management Services are based upon a percentage of assets under management. The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, computed on an annualized basis and payable monthly or quarterly in arrears according to the following schedule:

#### ***ALL ACCOUNTS – EXCLUDING FIXED INCOME ACCOUNTS ONLY***

<b><u>Assets</u></b>	<b><u>Annual Fee</u></b>
First 1 million dollars	1.00%
Next 4 million dollars	0.80%
Over 5 million dollars	0.60%

**Example** A \$6million account would be charged as follows:

First	\$1 Million @ 1.00% = \$10,000
Next	\$4 Million @ 0.80% = \$32,000
Last	\$1 Million @ 0.60% = <u>\$ 6,000</u>
	<b>\$48,000</b>

#### ***FIXED INCOME ACCOUNTS ONLY***

<b><u>Assets</u></b>	<b><u>Annual Fee</u></b>
Any dollar amount	0.60%

WCCA clients are charged a percentage fee based upon their assets under management in accordance with the agreed upon fee schedule in effect at the time services were contracted.

A minimum of \$250,000 of assets under management is required for this service. However, the account minimum is negotiable under certain circumstances. In addition, WCCA will group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

***Discounted Advisory Fees:*** Employees/Board Members of AmeriServ Financial®, Inc., AmeriServ Trust and Financial Services Company® and WCCA will be granted a 10% discount from the applicable fee schedule. At the discretion of WCCA, Non-Profit and Charitable Organizations 501(c)(3) generally are granted a 10% discount from the applicable fee schedule.

***Negotiability of Advisory Fees:*** WCCA retains the discretion to negotiate alternative fees on direct and indirect relationships. The specific annual fee schedule will be identified in the contract between the advisor and each client.

### **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement can be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice.

***Mutual Fund Fees:*** When selecting a mutual fund for investment, WCCA selects the lowest cost share class eligible at the time of investment. However, investors will still incur fees and expenses associated with their shares of mutual funds such as shareholder services and/or 12b-1 fees. All fees paid to WCCA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee and/or short term redemption fee.

For accounts custodied with our affiliate, AmeriServ Trust and Financial Services Company®, a portion of these fees are paid to, and retained by, AmeriServ Trust and Financial Services Company® for administrative, record-keeping and/or shareholder services; as well as 12b-1 distribution fees, where applicable, as authorized by rule 12b-1 under the Investment Company Act of 1940. If a mutual fund also imposes sales charges, a client will pay an initial or deferred sales charge.

Clients could make investments in mutual funds, ETFs, equities, etc. directly, without our services. In that case, the client would not receive the services provided by our Firm which are designed, among other things, to assist the client in determining which investment options are most appropriate to each client's financial condition and objectives. Accordingly, the client should review the fees charged by the investments held in the account and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

Additional fees will be charged by the custodian for all accounts in which AmeriServ Trust and Financial Services Company® serves as qualified custodian. Clients are responsible for any and all fees which are separate and distinct from the advisory fee charged by the Adviser. Examples of such fees are as follows:

- Tax Preparation (if applicable) – Equivalent to the current tax year preparation charges
- Asset Transfer/Registration charges (upon account closing)
- Court Accounting Fees or Agency Reports (if applicable)

Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information. Fees and expenses do have an effect on investment returns over time.

**Grandfathering of Minimum Account Requirements & Fee Schedules:** Advisory clients are subject to WCCA's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our Firm's minimum account requirements and fee schedules differ among clients.

**ERISA Accounts:** WCCA is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, accounts subject to ERISA are only charged fees for investment advice about products for which our Firm and/or our related persons do not receive any commissions or 12b-1 fees.

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

WCCA may enter into performance-based fee arrangements (collectively "performance fees") for managed accounts in a limited number of cases for qualified clients and such fees will be subject to individualized negotiation on an individual client basis. WCCA structures performance fees in accordance with Section 205(a)(1) of the Investment Advisors Act of 1940 (the "Advisers Act") and the available exemptions thereunder, including the exemption set forth in Rule 205-3. The performance fee payable to WCCA for these accounts are based on the change in net asset value of each managed account, subject to a benchmark. In measuring a clients' assets for the calculation of performance-based fees, WCCA shall include realized and unrealized capital gains and losses, as well as interest and dividends. In situations where WCCA manages performance-based fee accounts side-by-side with accounts not subject to performance fees, there is a conflict of interest which creates an

incentive to favor higher fee paying accounts over other accounts upon transacting in investment opportunities. As a result, WCCA faces certain conflicts of interest, including the incentive to potentially transact in investment opportunities to the accounts subject to the performance fees ahead of other fee paying accounts.

WCCA has adopted procedures to address these conflicts of interest that are designed to ensure that all clients are treated fairly and equitably including the review of account performance over time for accounts employing similar investment strategies.

Account values are determined in accordance with pricing procedures for both performance and other fee paying accounts. Assets are generally priced by independent third party pricing agents. In circumstance where an account holds positions in its portfolio for which reliable independent third party pricing is not readily available or is not reflective of fair value, the firm evaluates sufficient information to make a “good faith” determination that the valuation method used results in fair value.

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

WCCA provides advisory services to the following types of clients:

- Bank and Trust Companies
- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- State or municipal government entities
- Other

WCCA’s minimum account size is \$250,000 of assets under management. However, the account minimum is negotiable under certain circumstances. In addition, WCCA groups certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating a good time to buy) or overpriced (indicating it’s time to sell).



Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company can underperform regardless of market movement.

**Quantitative Analysis.** In general terms, quantitative analysis can best be understood as simply a way of measuring or evaluating things through the examination of mathematical values of variables. The primary advantage of quantitative analysis is that it involves studying precise, definitive values that can easily be compared with each other, such as a company's year-over-year revenues or earnings.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of asset classes such as Equities, Fixed Income, and Cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the ratio of Equities, Fixed Income, and Cash will change over time due to overall capital market movements. Failure to rebalance the portfolio presents the risk of an inappropriate allocation.

WCCA utilizes a combination of individual equity and fixed income securities as well as mutual and exchange traded funds in the composition of client portfolios. The West Chester Capital Advisors, Inc. Asset Allocation Program combines the attributes of quantitative, technical and fundamental analysis. WCCA has developed Strategic and Tactical model portfolios to help address the investment needs of our clients. The program includes distinct asset allocation portfolios utilizing investments which meet a wide range of investment objectives.

**Strategic Asset Allocation.** The Strategic Asset Allocation Program offers a choice of several different static portfolios, depending upon the client's long-term goals. Each portfolio represents a different point on the "efficient frontier", and reflects our views in a "neutral" economic/market environment. Further, each portfolio is comprised of a mix of asset classes.

The strategic asset allocation program is diversified across asset classes. As the name implies, a strategic balanced portfolio includes multiple asset classes and is designed to achieve a long-term asset allocation objective. The weights of the various asset classes are pre-determined and the portfolio is periodically rebalanced to ensure that the asset class weights reflect that pre-determined or "strategic" mix over time. In other words, there is no attempt on the part of the manager to purposely deviate from the strategic weights in order to add value. The emphasis here is to preserve the fixed weights because they ultimately

relate to a larger performance objective. For example, in a defined benefit plan, the weights should reflect a level of risk appropriate to meet plan liabilities. For a foundation, the asset allocation will address spending needs. In a 401k plan, the asset mix is designed to address an investor's time horizon and risk tolerance.

This emphasis on preserving the strategic asset allocation is an acknowledgement that the weights assigned to each asset class are the major drivers of portfolio performance. For many investors, those strategic weights are revisited every few years to ensure they're appropriate relative to the goals and objectives of the portfolio. New research suggests that the weights should be revisited more frequently to reflect the clients' changing levels of wealth and risk in the capital markets.

***Tactical Asset Allocation.*** Unlike strategic asset allocation, tactical asset allocation seeks to enhance performance by taking into account current and long-term capital market and economic views. As a result, a portfolio utilizing tactical recommendations can underperform, or outperform, the original strategic asset allocation model.

Tactical asset allocation can be non-diversified across asset classes during periods of market instability. Contrary to the passively executed strategic asset allocation program, the tactical goal is designed to manage and mitigate risk by reducing or eliminating exposure to asset classes possessing long-term, below average expected returns.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to perform effectively and satisfactorily over a period of time and in different economic conditions.

We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. There is no guarantee that a manager who has been successful will be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client can purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager deviates from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Leveraged Mutual Funds and/or ETFs:*** In addition to the previous methods of analysis discussed, we monitor for added expenses associated with holding leveraged products over time, as well as monitor the security's underlying benchmark/index (if applicable) to determine how well the leveraged ETF is tracking against it.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption

that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis is compromised by inaccurate or misleading information.

### **INVESTMENT STRATEGIES**

We use the following strategy in managing client accounts, provided that such strategy is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term perspective.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

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

A risk in a long-term purchase strategy is that by holding the security for this length of time, is not taking advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security can decline sharply in value before we make the decision to sell.

***Use of leveraged mutual funds and/or ETFs.*** Leveraged mutual funds or ETFs are utilized for certain clients where the use of such leveraged products is suitable pursuant to each client's investment profile. The leveraged funds are a component part of many other investment holdings to enable proper diversification of a client's portfolio. The funds are utilized when the equity market is experiencing a definable bullish, upward trend. We will reduce or eliminate the leveraged exposure when our proprietary tactical asset allocation model indicates that a bear market is imminent.

There are risks associated with investing in these leveraged products. When using a leveraged product, you are taking on additional risk in order to make more profit. While returns can increase in multiples for products that use leverage or borrowed dollars, there is also a risk that this leverage creates magnified capital losses.

Leverage products carry high internal expense ratios. When held for longer than a few days, this cost can significantly affect returns. For example, investing in a 2X leveraged fund held for multiple days should not expect returns of 30% if the index it tracks increases by 15%. These internal expenses can decrease a fund's return when the fund earns a lesser return on the investment than the cost of the leverage.

The effect of leverage on a fund's return may be magnified by market movements or changes in the cost of leveraging. In an extreme case, a fund's current investment income may not be sufficient to meet the interest expense of leveraging, and it may be necessary

for the fund to liquidate certain of its investments at an inopportune time. The use of leverage will exaggerate the effect of a change in the value of a fund's portfolio securities, causing the fund to be more volatile than if leverage was not used.

### **Item 9: Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our Firm and our management personnel have no reportable disciplinary events to disclose.

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

WCCA is a registered investment adviser and a wholly owned subsidiary of AmeriServ Financial Bank<sup>®</sup>. AmeriServ Financial Bank<sup>®</sup> is a wholly owned subsidiary of AmeriServ Financial<sup>®</sup>, Inc., a bank holding company. WCCA provides investment management services for accounts established directly with the Firm, as well as serves as a sub-adviser to its affiliate, AmeriServ Trust and Financial Services Company<sup>®</sup>. AmeriServ Trust and Financial Services Company<sup>®</sup> is a state chartered trust company which is also a wholly owned subsidiary of AmeriServ Financial, Inc. Pursuant to WCCA's contract with its affiliate, AmeriServ Trust and Financial Services Company<sup>®</sup>, WCCA provides investment management services for discretionary investment assets, including trust and estate administration, agency, pension, profit-sharing, 401(k) and 403(b) plans as well as custom designed accounts and non-qualified plans for special purposes. WCCA also provides investment advisory services under agreement with AmeriServ Trust and Financial Services Company<sup>®</sup> to the Pathroad Collective Funds. The Pathroad Account<sup>®</sup> Family of Funds are collective trust funds maintained by AmeriServ Trust and Financial Services Company<sup>®</sup>, trustee of the Funds, and are not registered under the Investment Company Act of 1940. AmeriServ Life Insurance Company is a captive insurance company that engages in underwriting as reinsurer of credit life and disability insurance within the Company's market area. Operations of AmeriServ Life are conducted in each office of the Company's banking subsidiary. WCCA does not recommend to its clients insurance products of AmeriServ Life Insurance Company.

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

Our Firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

WCCA and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities

transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, our Code of Ethics also requires the prior approval of all reportable securities transactions, as well as, any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

WCCA's Code of Ethics further includes the Firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information can not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You can request a copy in writing or by calling us at (814)533-5338.

WCCA and individuals associated with our Firm are prohibited from engaging in principal transactions. WCCA and individuals associated with our Firm are prohibited from engaging in agency cross transactions; however, the Firm can engage in internal cross transactions. For more information see the "Cross Transaction" section in Item 12: Brokerage Practices.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our Firm and/or individuals associated with our Firm can buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) can have an interest or position in a certain security(ies) which is also recommended to a client.

It is the expressed policy of our Firm that no person employed by us purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

## **Item 12: Brokerage Practices**

West Chester Capital Advisors' policy is to seek the best price and most favorable execution of client transactions considering all circumstances. WCCA's investment advisory agreements authorize the Firm to determine, consistent with the client's investment objectives, the securities and total amount to be bought or sold for clients' accounts. WCCA utilizes an approved broker list for equities and fixed income securities which are traded electronically via InvestEdge/TrustDesk.M mutual funds clear through Reliance Trust Company.

### **Aggregation**



WCCA manages one individual client's accounts which are subject to directed brokerage, as well as Separately Managed Accounts. WCCA does not aggregate orders for client accounts but rather enter orders throughout the day at the discretion of the client's respective Portfolio Manager.

### **Allocation**

As a matter of policy, an adviser's allocation procedures must be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other clients. WCCA's policy prohibits any allocation of trades in a manner that WCCA's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts.

WCCA executes all eligible exchange related trades electronically via InvestEdge/TrustDesk. Stock and ETF transactions are processed through InvestEdge/TrustDesk for execution at the approved brokerage as coded in TrustDesk. Mutual fund trades are processed through InvestEdge/TrustDesk for execution by ATFSC. Mutual funds clear through Reliance Trust Company. Fixed income trades are exposed to a list of approved brokers for bid/offer requests. The firm will not aggregate orders placed throughout the day by the Portfolio Managers in separately managed accounts. Orders are placed separately for each account based on the individual's investment objectives and liquidity needs, among other factors, at the discretion of the respective Portfolio Manager.

### **Cross Transactions**

WCCA will only engage in cross transactions (causing one managed account to buy or sell investments from or to another managed account) when the transaction is in the best interests of, and consistent with the investment objectives and policies of, both accounts involved in the transaction. If a cross transaction is considered, it is the Advisor's policy to effect all cross transactions in the most equitable and fair manner for all clients involved. An employee can not cause one client account to sell a security to another client account in a cross transaction if any employee or other affiliate of the Company will receive any compensation from any source for acting as broker (an agency cross transaction). Any cross transaction between client accounts will be effected for cash consideration at the current market price of the investment, based on an independent market quotation.

### **Directed Brokerage**

Clients can direct WCCA to use a particular broker/dealer. As such, the client negotiates the terms and arrangements for the account with that broker/dealer, and West Chester will not seek better execution services or prices from other broker/dealers or have the ability to include such transactions in block trades, foregoing any potential volume discounts. As such, the client is likely to pay higher commissions or other transactions costs, than those who do not direct brokerage.

### **Soft Dollars**

WCCA reserves the right to use soft dollars to pay for research and brokerage services so long as such usage meets the safe harbor criteria of Section 28(e) of the Securities Exchange Act of 1934, as amended, which provides, in summary, that it is not a breach of

fiduciary duty for an adviser to cause an account to pay a commission in excess of the lowest rate available if the adviser determines in good faith that the amount of the commission is reasonable in relation to the value of the brokerage and research services provided.

Soft dollars are credits generated from client transactions with brokers or dealers which are made available to pay for research or other services or products to investment advisers. Soft dollars usually result in paying a commission to a broker on a transaction that exceeds the commission paid if the transaction had been executed through another broker, dealer or exchange member.

Any use of soft dollar credits requires the approval of the Asset Selection Committee ("ASC"). The ASC will maintain a master list of products and services that are paid for using the soft dollars generated by certain clients' accounts. For those accounts, it is conceivable that another broker charges less for effecting the same transaction. However, any products and services obtained through soft dollars will be applied across all accounts. Certain products and services that benefit West Chester will not directly benefit client accounts and include such things as research and software applications (e.g., Bloomberg) that are utilized by West Chester in servicing client accounts. The use of externally-developed research can at times, partially, supplement the research we perform internally. West Chester takes into account the availability of some of the foregoing products and services as part of the total mix of factors it considers in determining the broker to be utilized by clients. Periodic review of soft dollar arrangements by the CCO will attempt to minimize any potential conflicts of interest and ensure that the Firm is meeting its obligation in obtaining best execution as noted above.

### **Trade Errors**

As a fiduciary, WCCA has the responsibility to effect orders correctly, promptly and in the best interests of our clients. If a trading error should occur, WCCA has policies and procedures in place to ensure no loss is incurred by our clients.

## Item 13: Review of Accounts

### **PORTFOLIO MANAGEMENT SERVICES**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed periodically, throughout the year, but no less than annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews are triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by the assigned Portfolio Manager and the WCCA Portfolio Management Team.

**REPORTS:** In addition to the statements and confirmations of transactions that clients receive from their custodian, WCCA provides **quarterly** reports summarizing account performance, balances and holdings.

## Item 14: Client Referrals and Other Compensation

WCCA has entered into a solicitation agreement with AmeriServ Financial<sup>®</sup>, Inc. and its affiliates AmeriServ Financial Bank<sup>®</sup> and AmeriServ Trust and Financial Services Company<sup>®</sup> whereby trust and bank employees are paid for referring clients to WCCA. Pursuant to the agreement, the Firm has agreed to pay a percentage of the investment management fee to the employee for referring a client to WCCA. All referral fees are paid from WCCA investment management fee and shall not result in any additional charge to the client. A description of the arrangement and percentage of fees paid is contained within the agreement between WCCA and AmeriServ Financial Banks, as well as AmeriServ Trust and Financial Services Company<sup>®</sup>.

## Item 15: Custody

WCCA does not maintain physical possession of client cash and/or securities. However, pursuant to SEC Rule 206(4)-2, the Firm has custody of some client assets through the direct debiting of advisory fees from client custodial accounts pursuant to their Investment Advisory Contract. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

For client accounts opened directly with West Chester, the Firm shall name its affiliate, AmeriServ Trust and Financial Services Company<sup>®</sup>, as the qualified custodian. In addition to accounts opened directly, West Chester's affiliate, AmeriServ Trust and Financial Services Company<sup>®</sup>, maintains custody of its client's accounts of which West Chester manages on a discretionary manner. Based on shared office space between WCCA and AmeriServ Trust and Financial Services Company<sup>®</sup>, West Chester is deemed to have



custody over assets where AmeriServ is the qualified custodian and West Chester is the Investment Adviser. As a result, these accounts are subject to an annual surprise examination by an independent Certified Public Accountant.

WCCA has engaged an accounting firm to conduct an annual surprise audit in compliance with Rule 206(4)-2 which is registered with the Public Company Accounting Oversight Board (PCAOB) and subject to inspection. AmeriServ also undergoes an annual SSAE No.16 review ("Report on Service Organization Controls (SOC 1 Report)).

### **Item 16: Investment Discretion**

Clients generally hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

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

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

Clients give us discretionary authority when they sign an Investment Advisory Contract with our Firm and can limit this authority by giving us written instructions. Clients can also change/amend such limitations by once again providing us with written instructions. Investments in client accounts are made in accordance with each client's stated investment objectives as agreed to on the client's Investment Objective Statement or Investment Policy Statement.

### **Item 17: Voting Client Securities**

Unless specifically agreed to in the Investment Advisory Contract, the Firm will not take any action, or render any advice, with respect to the voting of portfolio securities ("proxies"), all of which shall be accomplished by Client. WCCA will vote proxies when provided written authorization from a client to vote on their behalf. When opening an account, a client is required to make the determination as to whether to retain the voting rights themselves or designate authority to WCCA upon executing the Investment Advisory Contract. A client has the authority to change their selection for proxy voting authority upon written notification. With respect to ERISA accounts, the Firm will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

If designated, the Firm will vote proxies in the best interests of our clients and in accordance with our established policies and procedures. For those accounts custodied at our affiliate, AmeriServ Trust and Financial Services Company®, an unaffiliated proxy voting service has been contracted to vote proxies in accordance with established guidelines. These guidelines provide the Firm's proxy voting policy for routine and non-routine matters. For routine matters, the proxy voting service automatically votes in accordance with the established guidelines.

Non-routine matters, such as shareholder proposals, are automatically voted against and all others WCCA will abstain from voting. . WCCA has the capability to override these settings at their discretion and is required to maintain documentation supporting such decision. Use of automated voting limits the scope in which WCCA will individually review and vote proxies. The Firm will periodically conduct a review of the proxy voting service for consistency of voting with guidelines and potential conflicts of interest.

The Firm will retain proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the advisor voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client and abstain from voting.

Clients can obtain a copy of our complete proxy voting policies and procedures by contacting WCCA in writing or by telephone at (814) 533-5338. Clients can request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients can direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18: Financial Information**

WCCA has no additional financial circumstances to report. Under no circumstances do we require or solicit payment of fees in advance of services rendered. Therefore, we are not required to include a financial statement.

WCCA has not been the subject of a bankruptcy petition at any time during the past ten years.