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**Part 2A of Form ADV: Firm Brochure**

**As of March 10, 2022**

This brochure provides information about the qualifications and business practices of **Wellspring Financial Advisors, LLC**. If you have any questions about the contents of this brochure, please contact us at **216.367.0680** or [lcapuozzo@wellspringadvisorsllc.com](mailto:lcapuozzo@wellspringadvisorsllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Wellspring Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 – MATERIAL CHANGES

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This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. There are no material changes to report at this time.



## PART 2A OF FORM ADV: FIRM BROCHURE

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# ITEM 4 – ADVISORY BUSINESS

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## **4-A: DESCRIBE OUR ADVISORY FIRM AND IDENTIFY THE PRINCIPAL OWNERS:**

Wellspring Financial Advisors, LLC (“Wellspring”) is an independent personal wealth management and multi-family office that has been in business since February 2007. We offer holistic financial services to high net worth individuals and families. Our comprehensive offerings include investment advisory, income tax planning and compliance, financial and estate planning, risk management and multi-family office services.

Michael Novak is a principal owner with owning more than 25% of the firm.

## **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER:**

At Wellspring, we provide a comprehensive suite of personalized services that cover our clients’ financial and non-financial needs, including:

### **Family & Life Services**

#### **Multi-family Office Services**

Many clients lack the resources to create and maintain a traditional separate family office. However, they recognize the importance of independence and objectivity associated with a family office. Wealth preservation is typically of utmost concern—protection from the “first generation earns it, second generation saves it and third generation loses it” phenomenon. Wellspring is a multi-family office providing a variety of financial and personal services to a multitude of affluent families and individuals. Services are tailored to meet the needs of multi-generational families. Working within a family setting and framework is a significant part of our business experience and a core competency.

#### **Family Consulting and Education**

Wealth is a responsibility—one that is not easily taught from generation to generation. At Wellspring, we work closely with our clients and their families to help improve communication among family members, educate them on their finances and assist them in developing and understanding a cohesive financial plan. We seek to increase, and in some cases improve, the quality of dialogue regarding financial matters across the generations. We also promote a sense of involvement that encourages and incorporates input from various family members.

#### **Life Planning**

Life is full of challenges—expected and unexpected, positive and negative. In addition to helping clients achieve their desired financial wellness, Wellspring can be instrumental in preparing and managing their life journey, with the goal of allowing clients to transition from one stage to the next with added confidence. Our familiarity with our clients’ personal and financial affairs, including their attitudes and expectations, enables us to navigate life’s challenges on their behalf. It is our way of helping clients seek to achieve a meaningful and productive life.

#### **4-B: DESCRIBE THE TYPE OF ADVISORY SERVICES WE OFFER (CONTINUED):**

### **Personal Financial & Tax Management**

#### **Comprehensive Financial Planning**

Financial Planning involves more than just the allocation of assets and minimization of taxes. At Wellspring, we follow a comprehensive, holistic approach that begins with asking a series of diverse questions regarding our clients' life plans. With this information in hand, we craft a financial strategy that incorporates a deep understanding about all aspects of their financial life and goals. When appropriate, we can coordinate this financial plan across multiple generations.

#### **Income Tax Planning, Preparation and Compliance**

Wellspring's comprehensive approach to wealth planning includes special attention to income taxes. Not only do we prepare necessary income tax returns, we also provide a tax plan that evaluates and minimizes future liability.

So many tax advisors focus on the past—preparation of income tax returns. While this is a necessity, it is the forward-looking tax planning that often adds significant value to the overall financial plan. This proactive income tax planning conducted throughout the year is critical to our clients' overall comprehensive plan. Through this quarterly approach, we analyze income, deductions and tax strategies for the purpose of reducing overall tax burden to our clients.

Wellspring's income tax planning, preparation and compliance services include thoughtful consideration of income taxes in the implementation of all financial, investment, retirement, wealth transfer and charitable planning. This includes:

- Income tax return preparation for all federal, state and local returns
- Income tax planning throughout the year to assess current and future liabilities to implement ideas to minimize taxes
- Preparation of federal, state and local estimated income tax vouchers and/or income tax withholding recommendations for each calendar year, as needed
- Assistance with IRS reviews and audits

#### **Estate and Wealth Transfer**

##### ***Individual and Family Plans***

Individuals and families often have very clear and specific intentions about how their wealth should be transferred or distributed. Unfortunately, whether the transfer is for family, charity or someone else, best-laid plans often do not reflect the most recent changes with regard to wealth, family situation and/or the tax code. At Wellspring, because we are so familiar with our clients' financial situation and estate objectives, we can help in determining the appropriate and/or desired distribution of our clients' wealth. We work with our clients' existing estate attorneys and help oversee the administration of their estates. Our goal is to help maximize the transfer of wealth to whomever our clients intend, in the way in which they intend.

## ***Multi-Generational Plans***

Wellspring can also coordinate estate and wealth transfer plans across multiple generations. We stress the importance of family communication as a key ingredient to any successful plan. Our involvement with the family can foster stronger and more productive communications among the generations, as well as with the family's trustees.

### ***Wellspring's estate and wealth transfer services are coordinated with your estate attorney and include:***

- Assistance with the design and implementation of wealth transfer plans, including family and philanthropic distribution techniques
- Periodic reviews of estate tax projections, flowcharts and estate documents to help achieve objectives
- Assistance with the selection of trustees and ongoing oversight (individual or institutional)
- Administration and compliance for nonprofit entities, private foundations, charitable trusts and estates

## **Strategic Philanthropy and Administration**

At Wellspring, many of our clients believe in sharing the fruits of their financial success. We help them develop a philanthropic plan that addresses their goals and maximizes the financial benefit to them and their charities. We work with their estate counsel to develop a strategic philanthropic plan that addresses their short or long-term goals. Once established, we can also administer the plan to achieve compliance with our clients' intentions, income and estate tax law, as well as other regulatory requirements.

### ***Wellspring's strategic philanthropy and administration services include:***

- Assistance with the operation and administration of non-profit entities, private foundations and charitable trusts
- Incorporation of income tax efficiency into the overall charitable plan
- Integration of other family members' charitable intentions into one cohesive family plan

## **Business Succession**

Wellspring has many clients who successfully run closely-held businesses and need help planning for the future. We help them make these decisions and design a plan that covers both orderly transitions of management and ownership. As in our approach to wealth management, we approach business succession planning holistically. We consider our clients' influences and goals with their succession plans, providing the foundation for future decisions.

Wellspring can also help clients assess where they are, versus where they would like to be. We'll help implement, review and rebalance the plan.

### ***Wellspring's business succession services include:***

- Identifying a potential successor and determining the amount of future family involvement
- Fostering communication among family members regarding their interests in and ideas for the future of the family business
- Developing a plan that helps meet the immediate and future needs of our clients and their businesses
- Assisting with the crafting or review of legal documents to put the plan into practice

- Monitoring and rebalancing the business succession plan as situations and business environments change
- Assisting with the selection of other advisors to address specialty areas of the plan, including compensation and rewards planning, wealth transfer techniques and corporate restructuring

## **Risk Management**

Wellspring assists clients in identifying, assessing and managing risks. We will help in the development, implementation and ongoing review of a risk management plan. While we do not anticipate the development of a plan that will hold our clients harmless from every event possible, careful planning should help mitigate some of the inherent risk that comes with considerable wealth. We will also carefully weigh the opportunity costs versus risk management and balance this comparison into our analysis. We believe in a merit-based system for selecting agents and products and we work to align our clients with appropriate choices. We do not sell products and we do not benefit in any way when clients purchase products we might recommend.

### ***Wellspring's risk management services include:***

- Periodic reviews of existing insurance policies (including life, disability, liability, excess liability, health, long-term care and property/casualty)
- Analysis to determine appropriate amounts of coverage as situations change
- Health insurance planning, including assistance selecting Medicare coverage and any necessary supplemental coverage
- Implementation of measures to help safeguard assets and personal information from outside parties, as well as to identity theft prevention
- Education and implementation of prenuptial agreements or use of trusts for protection of children's assets
- Review of and implementation of measures to help insulate assets from creditors' claims

## **Bill Payment Services**

Wellspring offers bill paying services as mutually agreed upon between the client and the firm. Such services will be billed in accordance with the firm's financial planning fee arrangements.

## **Investment Consulting**

At Wellspring, our investment advisory and risk management process starts by getting to know our clients, their families and their unique situations. We ask many questions, some which might seem unusual coming from a financial advisor. We develop a strong and thorough understanding of the things that are important to our clients today as well as their goals for the future. Throughout our relationship, we remain good listeners and work closely with our clients to adjust their investment plan as their life transitions and their goals evolve.

We subscribe to an Open Architecture investment philosophy. This means we have no compensatory relationships with any external investment providers. Our loyalty is to the client, not to investment managers. We recommend investments that make sense for the client. We can also tailor our investment services to consider the needs of future generations of the clients.

We believe keeping focused on a long-term horizon is the best way to approach capital markets. Occasionally adopting a contrarian point of view, while difficult, is consistent with our belief that booms follow busts and that markets invariably revert to long-term mean valuation. We believe periodic portfolio

rebalancing to align asset allocation with a client's objectives, risk constraints, time horizon and the market's relative valuation is the greatest source of value added.

We recognize that every individual, family and client's business is different in its own unique way. We deal with different strengths and challenges. This means we need to employ unique solutions to managing each investment risk scenario. We consider every aspect of our clients' situations—financial and otherwise—to provide investment plan recommendations that fit each client's needs.

We recognize all too often there is a significant difference between what an investor "makes" and what an investor "keeps." We strive for tax efficiency and attempt to minimize investor expenses in order to maximize after-tax returns. Our focus is on the long-term quality of an investment.

#### **4-C: EXPLAIN HOW WE TAILOR OUR ADVISORY SERVICES TO THE INDIVIDUAL NEEDS OF OUR CLIENTS:**

Referenced in **Item 4-B: Describe the Type of Advisory Services we Offer**

Please direct your attention to Item 4B for a thorough discussion of the development of a customized client relationship in each of our service areas.

Clients create an Investment Policy Guideline with Wellspring. This is the primary way to communicate and document any restrictions on investing in certain securities or types of securities and/or weightings to them.

#### **4-D: WRAP FEE PROGRAMS:**

Wellspring as a matter of policy and practice, does not sponsor any wrap fee program, defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

#### **4-E: ASSETS UNDER MANAGEMENT:**

As of December 31, 2021, Wellspring had the following client assets under management:

ASSET TYPE	AMOUNT
NON-DISCRETIONARY	\$ 1,701,582,127
DISCRETIONARY	\$ 719,589,267
TOTAL	\$ 2,421,171,394

# ITEM 5 – FEES AND COMPENSATION

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## **5-A: Describe how we are compensated for our advisory services:**

As a fee-only advisor, we do not accept any commissions and we do not have any fee-sharing relationships with outside providers. We approach fee setting with a client as we do our planning. Each client relationship is unique and is evaluated on a case-by-case basis. Different services require different rationales for establishing fees. Retainer fees are based on the complexity and needs of each client and/or their families.

Prior to the commencement of the advisory relationship, the firm and the client will agree to an asset-based pricing structure based upon the initial assets under management. The asset-based fees will then be converted to a fixed annual fee billed quarterly in advance. The fees will be revisited on a bi-annual basis or another interval as mutually agreed upon by the client and Wellspring. Please note that fees are negotiable. Following is the firm's current standard fee schedule:

	<u>Assets Under Management</u>	<u>Annual Fee Rate</u>
First	\$3,000,000	0.75%
Next	\$2,000,000	0.50%
Next	\$5,000,000	0.35%
Next	\$10,000,000	0.25%
Over	\$20,000,000	0.15%

From time to time, Wellspring has had other fee schedules that may have been higher or lower than those currently in effect. As new schedules are put into effect, they are generally made available to new clients and the fee schedule applicable to an existing client is generally not affected by the new schedules. Therefore, some clients pay different fees than those shown above.

## **5-B: Describe whether we deduct fees from client accounts and/or bill directly:**

Clients are charged a fixed annual retainer that is generally billed in advance on a quarterly basis beginning January 1 of each calendar year. Fees are generally negotiated at the beginning of the client relationship and adjusted bi-annually on an as needed basis.

Fees are collected in one of two ways and the client chooses which payment option best fits their needs:

- **Direct Deduction of Fees from Client Account**
  - We will set up an automatic or manual debit (deduction) directly from a client's brokerage/custody account for payment of our fees.
- **Client Invoiced**
  - We will invoice the client each quarter and include a prepaid return envelope for the submission of payment.

**5-C: Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses:**

Clients will incur the transactional costs associated with the qualified custodian and/or broker they choose and underlying expense ratios charged by mutual funds and exchange traded funds (ETFs) held in client accounts. These fees and/or expenses are generally calculated and debited (deducted) directly from the clients' respective accounts according to the qualified custodian/broker fee and/or expense schedules.

Please see **Item 12 A1-3** for more information about our brokerage relationships.

**5-D: Explain how a client may obtain a refund if the advisory contract is terminated before the end of the billing period:**

Clients can terminate their services with Wellspring, in writing, at any time during the contractual period. Prepaid fees for services rendered will be refunded within 30 days and it will be proportional to the date of their written termination notice.

**5-E: Disclose if you or any of your supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds:**

Wellspring, and any supervised person of Wellspring, does not accept compensation for the sale of securities or other investment products.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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Performance-based fees and side-by-side management of accounts are/is not applicable to Wellspring as we do not serve in this capacity.

# ITEM 7 – TYPES OF CLIENTS

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Just as our client relationships are unique, so too are our parameters for starting a relationship with a client. Generally, the more complex the financial situation, the more need for assistance. Sometimes the level of complexity is directly correlated with wealth and other times it is not.

Our client relationships include, but are not limited to the following categories:

- Individuals and their families
- High Net Worth Individuals
- Trusts
- Estates
- Entities directly related to existing clients including charitable endeavors

# ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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**8-A through 8-C: Describe the Methods of Analysis and Investment Strategies, as well as the Risk of Loss we use in formulating investment advice or managing client assets:**

Wellspring offers investment advisory services to its clients. These services include, but are not limited to, the following methods of analysis and investment strategies:

**Analysis:**

- Analyze pre-existing client risk tolerances, objectives, preferences, and time horizon
- Analyze current structure with consideration to income tax and estate tax constraints
- Analyze and review current managers and portfolio components

**Architecture:**

- Propose strategic asset allocation guidelines
- Verify likely capital additions and outflows to incorporate known existing liquidity needs

**Policy Formulation:**

- Coordinate preparation of Investment Policy Guideline
- Agree upon risk tolerances, objectives, preferences, and time horizons
- Review guidelines for selection of investment managers/funds
- Final investment decisions are made (approved) by client

**Implementation:**

- Establish outside custodial relationship
- Facilitate any relationship/fund transfers
- Allocate capital along agreed upon asset allocation and manager guidelines

**Monitor/Report/Rebalance:**

- Provide ongoing review and oversight of all managers, funds and investment vehicles
- Provide periodic reports on relative and absolute performance, current asset allocation, economic conditions, capital market outlook, and tax related investment issues
- Provide recommendations for any suggested rebalancing to asset allocation
- Review Investment Policy Guideline

Our macro strategy focus is driven by four primary constraints:

- **Diversification**
- **Quality**
- **Liquidity**
- **Transparency**

These characteristics should be common to all portfolios.

A combined passive/active strategy is used with mutual funds and exchange traded funds (ETFs) being the primary vehicles used for portfolio implementation. Individual outside managers for active management are occasionally retained, primarily for customized portfolios within the fixed income asset class.

Most portfolios experience turnover with activity resulting from additions of capital, the need for distributions, or rebalancing among asset classes.

The focus is generally long-term in nature with attention paid to portfolio costs and tax efficiency. Tactical implementation differences between portfolios will result from differences in client objectives, differences in the tax status of the client or portfolio, and the estimated portfolio duration.

Initial and ongoing client communication is maintained to verify client risk tolerances as reflected in the Investment Policy Guideline (IPG). A distinction is made between portfolio volatility and risk. Volatility reflecting the daily movement in asset prices is expected and accepted. Risk, as described as the permanent impairment of capital, is to be avoided if possible.

Investing, in general, poses varying risks to any investor and has many different forms in relation to the asset being invested in, such as securities, mutual funds, ETFs or bonds. When investing, a client should carefully consider the following before proceeding:

- Investment advice and/or recommendations provided by Wellspring may not produce the exact returns expected by clients, generally due to various external factors not within our control.
- Be prepared for periods of volatility in the securities market, which can see varying degrees of risk at any point in time. This risk includes, but is not limited to, inflation, interest rate, currency, political and economic, credit and liquidity risk.
- With such volatility comes the fluctuation of the value of your invested assets and, at times, the value can be more or less than your initial investment.
- When investing, only commit the amount you are comfortable with and keep in mind that these assets should be seen as “long-term” investments and not needed for any short-term liquidated needs.

As part of our investment process, both initially and ongoing, we research and discuss all possible risks associated with a particular investment and will discuss our findings with the client upon any investment recommendation we provide.

## ITEM 9 – DISCIPLINARY INFORMATION

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Wellspring and its management have not been involved in any material legal or disciplinary event.

# ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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Wellspring is not engaged in any other financial industry activities and does not have any business affiliates.

Wellspring does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from a separate account manager or client.

# ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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## **11-A and 11-B: Briefly describe our “Code of Ethics” adopted pursuant to SEC Rule 204A-1, as well as any “conflict of interest” related to clients:**

Wellspring has adopted a “Code of Ethics”, which is available to existing and prospective clients by contacting our firm, and includes, but is not limited to, the following:

- a standard of business conduct that reflects our fiduciary obligation to our clients;
- a requirement that employees comply with applicable Federal securities laws;
- a requirement that employees submit a report of their personal securities holdings reports as required by securities laws;
- a requirement and process for the reporting of any violation of our “Code of Ethics” to the appropriate person(s).

Wellspring does not have a material financial interest with respect to any investment or product it recommends to clients.

## **11-C and 11-D: Describe the Personal Trading Procedures set in place to deal with any possible client “conflict of interest” as well as how any violations are reported:**

It is Wellspring’s policy that the following principals govern the investment activities of our supervised persons:

- The interests of client accounts will at all times be placed first
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility
- Supervised persons must not take inappropriate advantage of their positions

Wellspring maintains a list of recommended securities and mutual funds. Additionally, we provide ongoing supervision of managers, funds and investment vehicles. From time to time, personnel may also purchase these recommended securities for themselves. As part of our Code of Ethics, these employees disclose applicable (reportable) investments on the following reports, which are monitored and reviewed on an ongoing basis:

- **Initial Holdings Report**
  - Every supervised person must submit an initial holdings report no later than ten (10) days after the person is hired and/or becomes a supervised person
- **Quarterly Transaction Report**
  - Every supervised person must submit a quarterly transaction report no later than thirty (30) days after the end of each calendar quarter

- **Annual Holdings Report**

- Every supervised person must submit an annual holdings report containing the same information required in the initial holdings report by no later than January 31 of each calendar year

Although Wellspring does not typically receive confidential information from publicly traded companies, the firm maintains a “restricted securities list” for publicly traded companies where a client is known, expected, or determined to have access to non-public information. We may also place certain securities on a “restricted securities list”, which prohibits supervised persons from personally purchasing or selling the securities when on the firm’s restricted list. Securities issued by publicly traded companies that supervised persons may obtain/receive material, nonpublic information from are generally placed on the restricted list. The restricted securities list is provided to all supervised persons on an annual basis as well as when adjustments are made throughout the calendar year.

When a violation or suspected violation of the Code of Ethics, including the firm’s Personal Trading Procedures, is reported to the Chief Compliance Office and/or the Directors/Shareholders of the firm, the violation will be reviewed thoroughly to determine if it is in fact a violation and what sanctions, if any, should be imposed. Possible sanctions may include reprimands, a monetary fine or assessment, or suspension or termination of employment.

# ITEM 12 – BROKERAGE PRACTICES

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**12-A: Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.**

**A.1. Research and Other Soft Dollar Benefits:**

Wellspring, as a matter of policy and practice, does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

**A.2 and A.3. Brokerage for Client Referrals and Directed Brokerage:**

Wellspring accepts client instructions for the selection of the client's custodian. Wellspring does not direct business to a broker-dealer in exchange for client referrals.

Wellspring will undertake a due diligence process in assisting clients with the hiring of any broker or custodian. One important consideration is the fee structure. We will review the fee structure as it compares to peers in the industry as well as relative to the services provided. In addition to the review of a service providers' fee structure, we will evaluate other firm attributes. These include, but will not be limited to, their client service model, client service personnel, back office staff operations, client references, and tenure in the industry.

Wellspring has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides Wellspring with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Wellspring in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Wellspring manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Wellspring may contract directly.

Wellspring is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisory clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

**12-B: Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating:**

Wellspring will occasionally aggregate client purchases or sales of securities. While this does not happen frequently, we may do so when, for example, a security has liquidity constraints, in comparison to other securities or typical securities owned in client accounts. We may also aggregate orders when exiting a position across all or a large number of client accounts. Wellspring carefully allocates positions and related costs accordingly and has policies and procedures designed to ensure that no participating client is favored over another client. Generally, participating clients will receive the same average price for the security executed that day.

# ITEM 13 – REVIEW OF ACCOUNTS

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## **13-A: Review of Account Procedures:**

Account reviews are conducted periodically, but at least annually, and include a review of the portfolio holdings, market values, asset allocations, and investment performance measurements over a stated period of time.

Our account reviewers include the following individuals:

Michael Novak, Managing Director  
Jennifer Staton, Director  
Richard Turgeon, Director  
Katherine Madzsar, Manager  
William Ambrogio, Senior Associate  
Frederick McLaughlin, Senior Associate

The reviewers typically reference the firm's due diligence and investment consulting processes when conducting account reviews. Accounts are analyzed in comparison to the client's investment policy guideline. Adjustments are made to the portfolio's asset allocation as appropriate.

The review of marketable securities in client portfolios is performed on an ongoing basis and consists of reviewing the list of approved funds and portfolio compositions. The firm's Investment Committee is also convened on a regular basis for the purpose of discussing pertinent topics.

Clients are given the opportunity to indicate their preference for the frequency of a regular portfolio review; however, given the frequency of client contact and communication, the review is often continuous throughout the year.

Black Diamond is retained as an independent outside (third party) service provider for the purpose of creating aggregated portfolio review statements and the calculations of portfolio performance.

## **13-B: Review of Accounts on an "other than periodic" basis:**

Non-regularly scheduled reviews of marketable and non-marketable securities may occur due to changes in the economy, equity or bond markets, geo-political climate and other factors including cash flow needs or surpluses and other client related factors.

## **13-C: Describe the content and indicate the frequency of regular reports provided to the clients regarding their accounts:**

Wellspring furnishes clients with ongoing performance reports, which are generated following the reconciliation of assets and transactions against account statements received from the qualified custodian. Statements are also sent directly to clients by their qualified custodian on at least a quarterly basis. Wellspring strongly urges its clients to compare the account statements they receive from their custodian with the performance/account reports they receive from Wellspring. Comparing statements will allow clients to confirm that account transactions, including deductions of advisory fees, are accurate and proper.

# ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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**14-A: Describe any arrangement between Wellspring Financial Advisors, LLC and an individual that is not a client, but provides an economic benefit to the firm for providing investment advice or other advisory services to our clients. In addition explain any conflicts of interest and how they are addressed:**

There are no economic or gift arrangements with any outside parties that have any bearing on the referral of business or the choice regarding retention of an outside manager.

**14-B: Describe any arrangement between Wellspring Financial Advisors, LLC and an individual that receives compensation either directly or indirectly for client referrals:**

There is no compensation, economic benefit, or gift benefit to anyone who might make a client referral.

# ITEM 15 – CUSTODY

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Wellspring is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- On certain accounts, our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires), where we have elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- On certain other accounts, our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires), where we have elected to engage an independent public accountant to annually conduct a surprise custody exam audit.
- With respect to client accounts where Wellspring, and/or a related person of Wellspring, is deemed to have custody due to serving as a trustee or executor for a client account or where the firm provides bill paying services as mutually agreed upon between the client and the firm, the accounts are examined on an annual basis by a PCAOB-registered independent accounting firm.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## ITEM 16 – INVESTMENT DISCRETION

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Wellspring provides investment advisory services on both a discretionary and non-discretionary basis. The nature of our holistic practice relies heavily on frequent client communication and, therefore, clients typically have an understanding for the reasons and logic of an investment decision or recommendation made to their portfolio.

Wellspring refers to the pre-arranged and discussed Investment Policy Guidelines in managing both discretionary and non-discretionary accounts. As previously discussed, clients may impose restrictions on securities invested.

# ITEM 17 – VOTING CLIENT SECURITIES

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Wellspring, as a matter of policy and practice, generally does not accept the authority to vote proxies on behalf of advisory clients. Wellspring's clients receive proxy information directly from the custodians or transfer agents.

The firm may offer assistance as to proxy matters upon a client's request, but the client still retains the proxy voting responsibility. Proxy voting responsibilities are stated in each client's engagement letter executed with Wellspring.

# ITEM 18 – FINANCIAL INFORMATION

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Wellspring does not have any financial conditions reasonably likely to impair its ability to meet contractual commitments to its clients.