

# West Coast Financial, LLC

1435 Anacapa Street  
Santa Barbara, CA 93101  
(805) 962-9131  
[www.wcfinc.com](http://www.wcfinc.com)

## Form ADV, Part 2A Brochure

March 23, 2023

This brochure provides information about the qualifications and business practices of West Coast Financial, LLC. If you have any questions about the contents of this brochure, please contact us at 805-962-9131. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that West Coast Financial, LLC or any person associated with West Coast Financial, LLC has achieved a certain level of skill or training.

Additional information about West Coast Financial, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

**Revised March 23, 2023**

The purpose of this page is to inform you, when amending our brochure for the annual update, of material changes since the previous annual update to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

West Coast Financial, LLC (“WCF”) reviews and updates the brochure at least annually to make sure that it remains current. WCF had no material changes since the last annual update dated March 21, 2022.

## ITEM 3 - TABLE OF CONTENTS

<b>ITEM 1 - COVER PAGE.....</b>	<b>1</b>
<b>ITEM 2 - MATERIAL CHANGES.....</b>	<b>2</b>
<b>ITEM 3 - TABLE OF CONTENTS.....</b>	<b>3</b>
<b>ITEM 4 - ADVISORY BUSINESS.....</b>	<b>6</b>
Description of Advisory Firm .....	6
Advisory Services Offered.....	6
Investment Management Services.....	6
Financial Planning Services.....	7
Retainer Services .....	8
Consulting Services.....	9
Limitations on Investments.....	9
Tailored Services and Client Imposed Restrictions.....	10
Assets Under Management .....	10
<b>ITEM 5 - FEES AND COMPENSATION .....</b>	<b>11</b>
Fee Schedule.....	11
Investment Management Services.....	11
Retainer Services and Consulting Services.....	11
Minimum Fee.....	11
Investment Management Services.....	11
Retainer Services.....	12
Billing Method .....	12
Investment Management Services.....	12
Retainer Services and Consulting Services.....	12
Other Fees and Expenses.....	12
Termination .....	13
Investment Management Services.....	13
Retainer Services .....	13
Other Compensation .....	13
<b>ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>14</b>

<b>ITEM 7 - TYPES OF CLIENTS .....</b>	<b>14</b>
Account Requirements .....	14
<b>ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>14</b>
Methods of Analysis and Investment Strategies .....	14
Methods of Analysis for Selecting Securities .....	14
Investment Strategies for Managing Portfolios .....	15
Private Placements.....	15
Risks .....	16
General Risks of Owning Securities .....	16
Mutual Funds (Open-end Investment Company) .....	16
Different Types of Funds .....	17
Exchange-Traded Funds (ETFs).....	19
Equity Securities .....	20
Debt Securities (Bonds) .....	20
Securities with Equity and Debt Characteristics .....	22
Municipal Bonds.....	23
Municipal Bonds of a Particular State .....	24
Private Funds.....	24
Real Estate Investment Trusts (REIT) .....	25
American Depository Receipts (ADRs) .....	28
Cash and Cash Equivalents .....	28
Master Limited Partnerships (MLPs).....	29
Financial Planning.....	29
<b>ITEM 9 - DISCIPLINARY INFORMATION.....</b>	<b>30</b>
<b>ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....</b>	<b>30</b>
Proprietary Private Funds.....	30
<b>ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>30</b>
Code of Ethics .....	30
Personal Trading Practices .....	31
Proprietary Private Funds.....	33
<b>ITEM 12 - BROKERAGE PRACTICES .....</b>	<b>33</b>

How We Select Brokers/Custodians.....	34
Your Brokerage and Custody Costs .....	34
Products and Services Available to Us From Schwab.....	35
Brokerage for Client Referrals.....	36
Directed Brokerage .....	36
Aggregation and Allocation of Transactions.....	37
<b>ITEM 13 - REVIEW OF ACCOUNTS.....</b>	<b>37</b>
Managed Account Reviews .....	37
Financial Plan Reviews .....	38
Account Reporting.....	38
<b>ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>38</b>
Schwab Support Products and Services.....	38
Outside Compensation .....	38
Referral Arrangements .....	39
<b>ITEM 15 - CUSTODY .....</b>	<b>39</b>
<b>ITEM 16 - INVESTMENT DISCRETION .....</b>	<b>39</b>
<b>ITEM 17 - VOTING CLIENT SECURITIES .....</b>	<b>40</b>
Proxy Voting .....	40
Class Actions.....	41
<b>ITEM 18 - FINANCIAL INFORMATION .....</b>	<b>42</b>
<b>PRIVACY PRACTICES NOTICE.....</b>	<b>A</b>
<b>SUMMARY OF OUR BUSINESS CONTINUITY PLAN .....</b>	<b>B</b>

## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

West Coast Financial, LLC (“WCF,” “we,” “our,” or “us”) is a privately owned Limited Liability Company. WCF is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). E. David Yossem, Inc. (DBA West Coast Financial) is the predecessor firm which was founded by E. David Yossem in 1983 and registered as an investment adviser with the SEC the same year. WCF’s primary owners are BSD Partners, LP (owned by E. David Yossem and Steven A. Weintraub), E. David Yossem, Steven A. Weintraub, and David C. Gore.

### *Our Mission*

We serve a limited number of qualified individuals and concentrate our practice on personalized comprehensive fee-only wealth management to help our clients accumulate, grow, protect, enjoy and transfer their wealth, and in the process alleviate their concerns about money so that they can focus on other things in life, such as family, friends, career, physical health, spirituality and the pursuit of happiness.

### *What makes WCF unique:*

- Fee Only
- Concierge Approach – All services included in one asset-based fee
- We commit to a fiduciary standard of care for all of our clients
- Integration of planning work and investment management – in the beginning and throughout the client relationship
- Clients always have access to principals of the firm
- Independent and local to Santa Barbara for over 30 years

### Advisory Services Offered

WCF offers comprehensive wealth management services to our clients. Our investment management, financial planning, and all other related services are offered on an integrated basis and all are included in our typical client engagement.

### Investment Management Services

WCF offers advice to clients regarding asset allocation and the selection of investments. Investment management services include designing, implementing, and continued monitoring of the client’s account. WCF will invest the account on a fully discretionary basis, limited only by the client’s individual needs and any restrictions imposed on the account, as indicated in the client’s stated Investment Policy with WCF.

We will typically allocate client portfolios among traditional marketable securities (money market instruments, bonds, preferred stocks, common stocks, and real estate investment trusts). We also utilize mutual funds where appropriate for diversification needs.

WCF may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. WCF may offer investment advice on any investment held by the client at the start of the advisory relationship, or acquired by the client during the relationship. We describe the material investment risks for many of the securities that we recommend under the heading ***Specific Security Risks*** in ***Item 8*** below.

We discuss our discretionary authority below under ***Item 16 - Investment Discretion***. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this item below.

We describe the Fees charged for investment management services below under ***Item 5 - Fees and Compensation***.

#### *Non-Discretionary Accounts*

WCF also offers investment advisory services to clients on a non-discretionary basis. For these clients WCF will contact the client before making recommendations it deems appropriate for the client. See also ***Item 16 – Investment Discretion*** below.

#### *Proprietary Private Funds*

WCF acts as the investment adviser to the WCF Ozone Fund I, LP, the WCF Real Estate Fund I, LP, and the WCF Real Estate Fund II, LP (collectively, “Ozone, RE I, and RE II”) and to the WCF Real Estate Fund III, LP (“RE III”), and as the general partner of Ozone, RE I, and RE II. WCF RE Associates III LLC, a related party, acts as the general partner of RE III. All four funds have been organized by WCF to invest in real estate, including a fund organized to invest in qualified opportunity zones (collectively, the “Funds”). Each of the Funds is available only to “Accredited Investors,” as the term is defined by Rule 501 of the Securities Act of 1933, and only by a private offering memorandum. Additional information on these standards is provided in the applicable private placement memorandum and subscription agreement for each Fund.

This Form ADV Part 2A Brochure is not an offer to sell, or a solicitation of an offer to purchase, interests in any of the Funds. Such an offer can only occur when the prospective investor receives the appropriate offering documents.

#### *Financial Planning Services*

WCF offers a range of financial planning services, from broad planning to custom planning focused on specific areas requested by the client. WCF prefers to conduct a long term cash flow analysis to help clients determine an appropriate asset allocation. Generally, WCF will deliver a plan to each client. WCF

offers to update the plan annually at no charge. There may be circumstances when a financial plan is not necessary.

As part of the financial planning process, WCF typically requests information from the client about the client's financial situation and needs, including: net worth, income, expenses, taxes, investments, retirement plans, life insurance, disability insurance, health insurance, long term care insurance, business agreements, divorce papers, pre-nuptial agreements, estate documents, and any other documents that pertain to their overall financial picture. In addition, WCF asks the client about their future goals, financial circumstances and objectives. WCF then assists clients with developing a personalized plan. Typically, we develop the plan with the client over several in-person meetings.

WCF may also work with the client to provide advice regarding a particular aspect of the client's financial situation. Areas of focus might include:

1. Preparing for or living in retirement
2. Investment strategies
3. Estate planning strategies
4. Income tax planning
5. Stock option analysis and planning
6. Insurance: life, disability, medical, long-term care insurance
7. Family savings and cash flow planning
8. Education planning and funding
9. Charitable gifting
10. Debt management
11. Employee benefit usage
12. Other, as determined between WCF and the client

Our financial planning services do not include preparation of any kind of income tax or estate tax returns or preparation of any legal documents, including wills or trusts.

We provide financial planning services as a component of our integrated wealth management services. We describe our fees for investment management and retainer services below under ***Item 5 - Fees and Compensation***.

#### *Retainer Services*

We, in certain selective situations, offer retainer services to clients who desire continuing financial planning services and/or investment management services for portfolios which contain dissimilar assets requiring varying amounts of time for supervision and management. For example, dissimilar assets may include low cost basis stock. Upon client request, we will monitor dissimilar assets on an ongoing basis.

We describe the fees charged for retainer services below under ***Item 5 - Fees and Compensation***.



### Consulting Services

For certain clients and/or particular circumstances, as described below, WCF may also provide consulting services. The specific scope of any engagement to provide consulting services is agreed upon with the client.

#### *Real Estate Consulting*

Our real estate consulting services may include any or all of the following: (i) consulting services in connection with proposed purchase and sale transactions; (ii) formulating investment, tax, estate, and multi-generational strategies; (iii) advice on property management; and (iv) consultation services with regards to real estate limited partnerships and other real estate-focused private funds.

#### *Foundation/Endowment Advisory Services*

Our consulting services for foundations or endowments may include any or all of the following: (i) acting as a consulting chief investment officer for the organization and overseeing asset managers, risk profile of the portfolio, performance and other factors on a non-discretionary basis; (ii) assisting with the development and maintenance of an effective spending policy designed to protect the long-term viability of the organization's assets; (iii) assisting with development of a clear governance process to ensure investment decisions are properly vetted; and (iv) assisting or leading on education of the organization's board or committee members on important topics and policies related to stewardship of the organization's assets and investments.

#### *Corporate Advisory Services*

Our corporate consulting services may include any or all of the following: (i) employee benefits consulting (401k plans, insurance, etc.); (ii) financial planning services for executives and other employees; (iii) objective strategic business guidance for owners and/or entrepreneurs; (iv) advice on succession planning and enhancing business value; and (iv) advice with regards to potential financing and other corporate finance transactions.

### Limitations on Investments

In some circumstances, WCF's advice may be limited to certain types of securities.

#### *Limitation by Plan Sponsor/Employer*

In the event WCF is managing assets within a retirement plan such as 401(k) or other employer plan, WCF is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, WCF can only make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

## *Mutual Fund Limitations*

### No Load Mutual Funds

WCF generally limits recommendations of mutual funds to no load funds or equivalent investment products.

### *Limitation by Custodian*

There may also be limitations on the mutual funds that we recommend. Clients establish brokerage accounts primarily with Schwab Institutional®, a division of Charles Schwab & Co., Inc. ("Schwab"), or Fidelity®, each a registered broker-dealer, Member SIPC.

### *Limitation by Client*

WCF may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

## **Tailored Services and Client Imposed Restrictions**

WCF manages client accounts based on the asset allocation the client chooses, as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. WCF applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep WCF informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want WCF to buy or sell certain specific securities or security types in the account. If a client requests restrictions on certain categories of securities (for socially conscious reasons, for example), WCF may replace that portion of the portfolio with a broad-based exchange traded fund as an asset class substitute. WCF reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

## **Assets Under Management**

WCF manages client assets on a continuous and regular basis. As of 12/31/2022, the total assets under management were:

Discretionary Assets	\$1,511,854,020
Non-Discretionary Assets	\$ 3,206,024
Total Assets Under Management	\$1,515,060,044

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule

#### Investment Management Services

WCF charges advisory fees for investment management services. WCF's advisory fees are charged based on a percentage of the client's total assets under management, per the following schedule:

<u>Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$500,000	1.25%
\$500,001	\$5,000,000	0.85%
\$5,000,001	\$10,000,000	0.65%
\$10,000,001	And over	0.35%

Our standard fee schedule is not negotiable; however, WCF reserves the right to make exceptions in limited circumstances at our discretion. Some clients may have a historically different fee schedule. We also manage some family and related accounts without charge.

WCF may recommend certain alternative investments. Generally, WCF is not responsible for attempting to provide an estimate of fair value for these alternative investments and in many instances will rely on the value reported by the general partner or other manager of the investment.

WCF receives a 1.00% annual advisory fee from each of the Funds. The fees charged to a Fund are further outlined in the Fund's offering documents. The portion of the client's assets invested in a Fund are not billed as part of the managed account for purposes of determining the investment management fee above.

#### Retainer Services and Consulting Services

WCF offers retainer services and consulting services for a mutually agreed upon flat fee. Annual fees are based on the approximate amount of time and resources required to provide the services agreed to in the retainer agreement and may be negotiable. WCF and the client will mutually define the scope of the engagement prior to providing any services. The scope of the relationship and fees to be charged will be clearly outlined in a Letter of Engagement between WCF and the client. No fees or billable activity will be accrued prior to the execution of a Letter of Engagement.

### Minimum Fee

#### Investment Management Services

WCF generally requires a minimum advisory fee of \$7,500 per year, billed quarterly, to maintain an advisory account. If the regular quarterly management fee calculated based on assets under management is less than our minimum advisory fee, we will charge the client our minimum fee. However, at our discretion, we may reduce or waive the minimum fee requirement for clients with

smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing client relationships.

WCF generally aggregates client portfolios of family or business relationships with each other to meet the minimum portfolio size.

### Retainer Services

WCF generally requires a minimum retainer fee of \$7,500 per year. However, we may make exceptions at our discretion to charge a lower minimum annual retainer fee.

## **Billing Method**

### Investment Management Services

WCF's advisory fees are payable quarterly in arrears based on the account market value on the last day of the calendar quarter. For certain alternative investments, market values may be provided by the security sponsor less frequently than quarterly, and WCF will generally use the most recent reported value for purposes of calculating the advisory fee. The first payment is due after the first full quarter of engagement. For new or terminating clients, we may make exceptions at our discretion for the fees billed for partial quarters of engagement.

WCF may aggregate client accounts that have family or business relationships with each other for purposes of calculating the advisory fees applicable to each client.

It is up to the client whether they wish to have the advisory fees withdrawn directly from their custodian account or pay by check. With client authorization, WCF will instruct the custodian to automatically withdraw WCF's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on WCF's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account.

WCF will send an invoice to all clients who choose not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due.

### Retainer Services and Consulting Services

WCF's fees for retainer services and consulting services are payable quarterly in arrears. The first payment is due after the first full quarter of services.

## **Other Fees and Expenses**

WCF's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the

account, which are in addition to the fees client pays to WCF. See **Item 12 - Brokerage Practices** below for more information.

Any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to WCF for investment management services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both WCF and the mutual fund manager for the management of their assets. In addition, real estate offerings in which clients invest may charge internal fees, which are described in the offering documents. WCF does not receive any portion of the internal fees of third party real estate offerings, but does receive fees in connection with the Funds, as discussed in this brochure.

## **Termination**

### *Investment Management Services*

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing WCF at our office.

Upon termination of the agreement, generally any earned, unpaid advisory fees will be due and payable. In these circumstances, the client will receive an invoice showing the advisory fees due for services rendered and not yet paid.

### *Retainer Services*

WCF's agreement indicates when services provided under the retainer agreement are complete. In the event that either the client or WCF wishes to terminate the retainer agreement before the date specified in the agreement, either party may terminate the agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing WCF at our office. Upon such termination, the client will only be obligated to pay WCF for services actually rendered at the agreed upon fee. WCF will provide an invoice for services provided through the date of termination.

## **Other Compensation**

WCF receives fees for managing the Funds and acting as general partner of Ozone, RE I, and RE II (WCF RE Associates III LLC, a related party of WCF, is the general partner of RE III). WCF has an interest in recommending the Funds to our clients. See **Proprietary Private Funds** under **Item 11** below for more information on how we address this conflict.

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

WCF does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## ITEM 7 - TYPES OF CLIENTS

WCF provides services to individuals, high net worth individuals, trusts and estates, individual participants of retirement plans, pension and profit sharing plans, charitable organizations, businesses, and the Funds.

### Account Requirements

Generally, WCF requires clients to maintain a minimum account size of \$1,000,000. We generally combine family accounts to meet the account size minimum. WCF may reduce or waive the account minimum requirements at our discretion.

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

### Methods of Analysis and Investment Strategies

WCF's general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. WCF treats each client account uniquely. WCF will analyze the client's investment objectives (income and growth needs) relative to the client's constraints (time horizon, risk tolerance, tax considerations, liquidity needs, and special circumstances). Based on the balance of the goals and risk tolerance, WCF develops an investment policy statement that will include a specific asset allocation model. WCF will then implement the purchase or sale of securities for the client that will move the client's portfolio to the desired allocation.

WCF selects suitable categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Within each investment category, WCF selects individual securities with characteristics that are most consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis.

Since WCF treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence WCF's investment decisions. Clients who buy or sell securities on the same day may receive different prices.

### Methods of Analysis for Selecting Securities

WCF may use fundamental analysis in the selection of individual securities. Fundamental analysis typically involves analysis of financial statements, the general financial health of companies, and /or the analysis of management or competitive advantages. Additionally, WCF may use specific strategies or

resources in the method of analysis and selection of bonds, preferred stocks, common stocks, REITs, and mutual funds.

### *Debt Securities (Bonds)*

WCF relies on credit rating agencies such as Standard & Poor's and Moody's to help determine the financial strength of issuing creditors. We also use prospectuses and other relevant information from bond underwriters to help in analysis and selection of fixed income securities.

### *Mutual Funds*

In analyzing mutual funds, WCF may use various sources of information including data provided by Morningstar and Dimensional Fund Advisors, LLC. As part of our due diligence process, WCF will typically contact the fund's investment adviser to discuss the adviser's process and various aspects related to their management of the fund. Regarding equity mutual funds, WCF reviews key characteristics such as historical performance, consistency of returns, risk level, size of fund, etc. Expense ratio and other costs are also significant factors in fund selection.

### *Investment Strategies for Managing Portfolios*

WCF's strategy consists of purchasing, holding, and rebalancing a diversified portfolio of bonds and publicly traded equities. WCF typically intends to hold these investments for over a year except when sales are necessary to rebalance the portfolio or to fund replacement acquisitions. When selecting publicly traded equities, WCF may focus on the potential for income and/or growth, depending on the client's investment objectives. While WCF's investment strategy primarily involves the active selection of individual securities, from time to time we may also invest a significant portion of the client's portfolio in passive index funds or ETFs.

WCF does not attempt to time the market nor do we attempt to capture short-term gains. Short term buying and selling of securities is limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

### *Private Placements*

WCF may recommend limited partnerships and/or private offerings to clients based on factors that include but are not limited to accreditation status, the level of interest clients express during meetings with WCF, and whether the program would offer diversification to the client. We consider these types of investments to carry a higher degree of risk than stocks and bonds. These securities are only available to accredited investors. Investments in such limited offerings will only occur after conducting additional consultation with the client and after the client has approved of the investment and strategy for his/her portfolio.

In certain circumstances, if deemed appropriate for the client, WCF may recommend certain private placements or other investments in privately owned businesses to clients. Privately held companies typically sell their securities through private placement offerings. Generally, there is no ready market for private placement purchases and sales. Therefore, private placements are less liquid than market-based securities and considered risky investments. Consequently, investments in private placements are

limited to persons who meet certain income and/or net worth requirements. WCF will recommend such securities only to clients who meet the necessary income and/or net worth requirements and where WCF believes the investment is appropriate for the client based on the client's ability to accept the risk. At the time of recommendation, WCF will disclose to the client any proprietary interest in the company.

## **Risks**

Investing in securities involves risk of loss, and clients should be prepared to bear that risk.

### *General Risks of Owning Securities*

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in reinvesting the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include professional management, diversification, affordability, and liquidity. Mutual funds also have features that some investors might view as disadvantages:



### Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

### Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

### Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### Different Types of Funds

Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

#### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

#### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

### Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

### Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

### Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### *Stock Funds*

Although a stock fund’s value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

#### Income Funds

Income funds invest in stocks that pay regular dividends.

#### Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

#### Mid Cap Funds

Funds that invest in companies with smaller market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

#### Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

### International Funds

International investments are subject to additional risks, including currency fluctuation, political instability and potential illiquid markets.

### Emerging Market Funds

Funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

### Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk.

### REIT Funds

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

### Real Estate Funds

Investments in real estate funds are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk, and diversification risk.

### TIPS Funds

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk. WCF does not utilize individual TIPS, but may recommend mutual funds and exchange traded funds that include TIPS within the underlying fund holdings.

### *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

### Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve the same return as a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which

can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which may adversely affect WCF's ability to value accurately or dispose of such equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

### Small Capitalization Equity Securities

Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### Debt Securities (Bonds)

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risks.

For fixed income investments, WCF generally considers the financial strength of the issuer, call provisions, liquidity factors, and bond insurance in selecting bonds for purchase. WCF solicits bids from several underwriters (i.e. brokerages) in an effort to obtain the most attractive yield on purchase.

Certain additional risk factors relating to debt securities include:

#### Reinvestment Risk

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

### Inflation Risk

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

### Interest Rate and Market Risk

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

### Call Risk

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

### Credit Risk

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

### Liquidity and Valuation Risk

There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

WCF attempts to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any

security within that category without considering the modifier when reading their investment policies based on ratings categories.

### *Securities with Equity and Debt Characteristics*

Some securities have a combination of equity and debt characteristics. These securities may at times behave more like equity than debt or vice versa. Some types of convertible bonds, preferred stocks or other preferred securities automatically convert into common stocks or other securities at a stated conversion ratio and some may be subject to redemption at the option of the issuer at a predetermined price. These securities, prior to conversion, may pay a fixed rate of interest or a dividend. Because convertible securities have both debt and equity characteristics, their values vary in response to many factors, including the values of the securities into which they are convertible, general market and economic conditions, and convertible market valuations, as well as changes in interest rates, credit spreads and the credit quality of the issuer.

These securities may include hybrid securities, which also have equity and debt characteristics. Such securities are normally at the bottom of an issuer's debt capital structure. As such, they may be more sensitive to economic changes than more senior debt securities. Investors may also view these securities as more equity-like by the market when the issuer or its parent company experience financial problems.

The prices and yields of nonconvertible preferred securities or preferred stocks generally move with changes in interest rates and the issuer's credit quality, similar to the factors affecting debt securities. Nonconvertible preferred securities may be treated as debt for account investment limit purposes.

### *Preferred Stocks*

Preferred stock is a class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock generally has a dividend that must be paid out before dividends to common shareholders. In addition, preferred shares usually do not have voting rights. Each preferred offering is structured specific to the issuing corporation's needs. Preferred shareholders have priority over common shareholders on earnings and assets in the event of liquidation and they have a fixed dividend (paid before common shareholders), but investors must weigh these positives against the negatives, including giving up their voting rights and less potential for appreciation.

### *Obligations Backed by the "Full Faith and Credit" of the U.S. Government*

U.S. government obligations include the following types of securities:

#### *U.S. Treasury Securities*

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. For these securities, the U.S. government unconditionally guarantees the payment of principal and interest, resulting in the highest possible credit quality. Fluctuations in interest rates subject U.S. Treasury securities to variations in market value. However, they are paid in full when held to maturity.

### Federal Agency Securities

Certain U.S. government agencies and government-sponsored entities guarantee the timely payment of principal and interest with the backing of the full faith and credit of the U.S. government. Such agencies and entities include The Federal Financing Bank (FFB), the Government National Mortgage Association (Ginnie Mae), the Veterans Administration (VA), the Federal Housing Administration (FHA), the Export-Import Bank (Exim Bank), the Overseas Private Investment Corporation (OPIC), the Commodity Credit Corporation (CCC) and the Small Business Administration (SBA).

### Other Federal Agency Obligations

Additional federal agency securities neither are direct obligations of, nor guaranteed by, the U.S. government. These obligations include securities issued by certain U.S. government agencies and government-sponsored entities. However, they generally involve some form of federal sponsorship: some operate under a government charter; specific types of collateral back some; the issuer's right to borrow from the Treasury supports some; and only the credit of the issuing government agency or entity supports others. These agencies and entities include, but are not limited to the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and the Tennessee Valley Authority and Federal Farm Credit Bank System.

On September 7, 2008, Freddie Mac and Fannie Mae were placed into conservatorship by their new regulator, the Federal Housing Finance Agency. Simultaneously, the U.S. Treasury made a commitment of indefinite duration to maintain the positive net worth of both firms.

### Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

#### Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

#### Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

### Liquidity Risk

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

### Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

### AMT

WCF invests in a variety of fixed income securities for clients. For those accounts seeking preservation of capital and current income exempt from taxation, WCF does not invest in municipal bonds subject to the Alternative Minimum Tax ("AMT") without the expressed prior written permission of the client.

### General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds to be safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of the facility or service. Frequently the issuers of revenue bonds are either private sector corporations (e.g. hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g. power utilities or public transportation authorities). Consequently, the thought is that the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

### Municipal Bonds of a Particular State

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Securities issued by California municipalities are more susceptible to factors adversely affecting issuers of California securities. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.

### Private Funds

A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited



number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short. The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following:

1. Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.
2. Private funds are subject to various other risks, including risks associated with the types of securities that the private fund invests in.

### *Real Estate Investment Trusts (REIT)*

Securities issued by real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### *Real Estate Private Funds*

A real estate private fund is a professionally managed portfolio of one or more real estate holdings. During periods of inflation and economic growth, real estate will usually post strong returns, while it usually fizzles in periods of recession. The real estate sector goes through periods of expansion and contraction, just like all other sectors of the economy. Although real estate funds are usually growth or income oriented, investors can generally expect to receive both dividend income and capital gains from the sale of appreciated properties within the portfolio. For this reason, tax-conscious investors may be pleasantly surprised when they receive their annual capital gains distributions. Investments in individual properties can also defer capital gains through special rules.

As with all other sector funds, real estate funds tend to be more volatile than broader-based growth or income funds. As with any other sector, investors can generally expect to be hit hard in these funds when the real estate market collapses and should keep a long-term perspective when allocating funds to this sector.

Real estate funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk, and interest rate risk are just some of the factors that can influence the gain or loss that passes on to the investor. Liquidity and market risk will tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand.

Conversely, interest rate risk impacts the amount of dividend income that income-oriented funds pay out.

Real estate funds allow small investors to participate in the profits from large-scale commercial real estate enterprises, such as corporate office parks and skyscrapers. They also provide the usual benefits of mutual funds, such as professional management and diversification. This last characteristic is important for these funds, as most investors do not have a sufficient asset base to participate in commercial real estate in any direct sense, unlike stocks, which investors can purchase as individual shares at a much more reasonable cost.

A real estate fund pools resources to invest in real estate properties. The fund generally seeks returns in two ways: net cash flow from renting the properties, and appreciation of the property's market value. Investments held by real estate investment fund are illiquid. The investor's ability to sell or dispose of its interests in a real estate fund prior to the fund's termination will likely be very limited. Unlike exchange-traded stocks and bonds, the valuation of a real estate fund's portfolio will generally be far more subjective.

The ongoing costs of managing real estate investments, as well as the costs in acquiring and disposing of portfolio positions, will likely be higher than for other assets classes. The manager of a real estate fund typically seeks capital commitments up front and makes capital calls during the life of the fund. The average life span of a real estate fund generally ranges between 5 and 10 years.

Investment styles and objectives of private real estate funds include the following:

1. Property specific vs. Pools – some real estate funds invest in a pre-determined slate of properties described in the offering memorandum, which permits for little divergence over the life of the fund. Other real estate funds leave significant discretion to the manager to identify, and invest the fund's assets in, a number of properties that fit the fund's disclosed investment guidelines.
2. Sector-Specific vs. Diversified – some real estate funds focus on certain sectors, such as residential, industrial/office, retail, or lodging/resort, while others invest in a diversified portfolio including several sectors.
3. Geographic Focused or Diversified – Some real estate funds focus on certain geographic areas and other funds diversify across geographic regions. Like stock funds, real estate funds can invest domestically, overseas or both.
4. Investment Objective – Some funds focus on operational properties already generating income and appreciation potential is typically modest. Some seek returns from both income and capital appreciation and make seek underdeveloped or undervalued due to poor management. Some seek superior returns through capital appreciation and involve greater risk. They may engage in more aggressive strategies, which may involve international or emerging market real estate, non-traditional properties, and higher leverage.

### *Limited Liability Company Interests (LLC)*

With an LLC, each shareholder owns shares of an undivided interest in one or more properties. The LLC structure allows individual investors to pool their resources in institutional-sized real estate deals for a relatively small investment size. The LLC sponsor, who is usually a trust subsidiary, real estate investment company, or entrepreneur, arranges the structure. The sponsor will identify the property, perform the due diligence, enter into the purchase and sale agreement, arrange financing, and offer shares to investors through registered persons of a broker/dealer. The LLC agreement outlines the responsibilities of the investors.

A primary advantage of an LLC interest is that the LLC sponsor pre-packages the real estate investment properties. This includes the required due diligence paperwork such as title insurance, environmental, tax opinion and study lease documents. This due diligence work greatly reduces the up-front costs that the individual investor would incur if they sought out the investment independently and eliminates any of the conventional property owner's headaches.

Potential investors should evaluate any offering on its own merits in the same manner that they would consider any direct investment in real estate.

The risks of investing in an LLC property interest include but are not limited to the following: Similar to all real estate investment, there is risk in LLC interests. Investors should carefully review offering materials related to the investment, as those materials will contain significant risk disclosures and specific information about the property. Interests in real estate may be speculative and may involve a high degree of risk; investors should be able to bear the loss of part or all of their investment.

There may be restrictions on transferring ownership of LLC shares; these are not liquid investments. There may also be tax risks and tax issues involved with the purchase of LLC shares. Investors should consult their own tax advisors and legal counsel. The indirect purchase of real property involves significant risks, including market risk and property specific risk. The purchase of real property with other investors also presents risks in association with the relationship with those other investors. LLC investments usually use leverage; leverage may increase volatility and may increase the risk of investment loss. The manager has broad authority and supervision over the property and the terms of financing. The various fees paid to the manager and its affiliates are significant and may offset profits related to the ownership and operation of the real estate. In addition, there is no guarantee that cash distributions will continue, that a particular property's business plan will be successfully executed, that the property's value will increase, or that the property will sell within the planned time period.

The potential for property value to decrease: All real estate investments have the potential to lose value during the life of the investment. This is true of any investment, especially real estate.

The change of tax status: The income stream and depreciation schedule for any investment property may affect the income bracket and/or tax status of the owners of the property. Changes in tax law may also adversely affect LLC investors.

Potential for foreclosure: All real estate investments that are financed with secured debt have the possibility of foreclosure.

Potential for having an illiquid investment: There are limitations to the secondary market for LLC interests. All properties usually have business plans, ranging from three to ten years in length and may extend even longer.

The reduction or elimination of monthly cash flow distributions: Just like any other investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for a suspension of current, cash flow distributions, or rent. The property's business plan, professional property management, and asset management, are attempted safeguards against possible cash flow disruption.

The impact of fees and/or expenses: Just Like any investment real estate, additional costs associated with the transaction may impact returns for the investor, and it may even outweigh the tax benefits of any exchange procedure.

The loss of management control: LLC sponsors typically employ professional asset and property management. Therefore, LLC investors do not have a direct say over day-to-day property management situations. Investors could consider this both a benefit and a risk.

### *American Depositary Receipts (ADRs)*

An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

### *Cash and Cash Equivalents*

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

### Master Limited Partnerships (MLPs)

MLPs are publicly traded partnerships that trade mainly on the New York Stock Exchange and/or the NASDAQ, the same as stocks. With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs may have commodity risk). Most publicly traded companies are corporations. Corporate earnings are usually taxed twice. The business entity is taxed on any money it makes and then shareholders are taxed on the earnings the company distributes to them.

In the 1980s, Congress allowed public trading of certain types of companies as partnerships instead of as corporations. The main advantage a partnership has over a corporation is that partnerships are “pass through” entities for tax purposes. This means that the company does not pay any tax on its earnings. Distributions are still taxed, but this avoids the problem of double taxation that most publicly traded companies face. Congress requires that any company designated as an MLP has to produce 90% of its earnings from “qualified resources” (natural resources and real estate). Most MLPs are involved in energy infrastructure, i.e. things like pipelines. MLPs are required to pay minimum quarterly distributions to limited partners. A contract establishes the payments, so distributions are predictable. Otherwise, the shareholders could find the company in breach of contract.

MLPs bear three primary risks:

#### Risk of Regulation or Change

The main advantage of an MLP is its tax-advantaged status under the current Internal Revenue Code. Therefore, changes in the tax code resulting in the loss of its preferential treatment could significantly affect the viability of MLP investments.

#### Interest Rate Risk

It is commonly thought that these types of investments do better when interest rates are low, making their yield higher in relation to the safest investments, such as Treasury bills and securities that are guaranteed by the U.S. government. Consequently, MLPs may perform better during periods of declining or relative low interest rates and more poorly during periods of rising or high interest rates.

#### Tax Risk

MLPs are pass-through entities, passing earnings through to the limited partners. Investors must be aware that there are potentially significant tax implications of investing in MLPs and they should consult with their tax advisor before investing in these securities.

### **Financial Planning**

WCF has developed in-house software and spreadsheets that we use in our financial planning process. Our tools include long-term cash flow, risk-tolerance, and college funding models. The financial planning tools we use rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products.

WCF's financial planning software and spreadsheets are only tools used to help guide WCF and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the financial plan as discussed with clients during the presentation of the plan. If the client is not an investment management client of WCF, the client should discuss the results of the plan with a qualified investment professional before making any changes in their investment or financial planning program.

The plan will include a full range of asset allocation options and will highlight the impact of various allocation scenarios on a client's sustainable cost of living and projected net worth up to and beyond their age 95. The client must choose their desired asset allocation, after weighing these interconnected factors. We do not recommend individual securities to financial planning clients. However, we may make a general recommendation in the financial plan about investing a portion of your financial assets in securities. If the financial plan includes recommendations for investing in securities, you should understand that investing in securities involves risk of loss, and you should be prepared to bear that risk.

## **ITEM 9 - DISCIPLINARY INFORMATION**

WCF does not have any disciplinary information to disclose.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Proprietary Private Funds**

WCF is the investment adviser to the Funds and general partner of Ozone, RE I, and RE II. WCF RE Associates III LLC, a related party, is the general partner of RE III. The Funds are not publicly offered or traded and are only available to "Accredited Investors" as the term is defined by Rule 501 of the Securities Act of 1933. The offering memorandum and subscription agreement for each of the Funds (the "Offering Documents") provide additional information on these standards. Prospective investors in each Fund receive the applicable Offering Documents. WCF receives fees in connection with our services to the Funds and therefore has an interest in recommending the Funds to our clients. See ***Proprietary Private Funds*** under ***Item 11*** below for more information on how we address this conflict.

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

### **Code of Ethics**

WCF believes that we owe clients the highest level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. WCF's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

WCF's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. WCF's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable state and federal securities laws. All personnel receive a copy of each amendment of the Code of Ethics, which they acknowledge in writing. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities are subject to personal trading policies governed by the Code of Ethics (see below).

WCF will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### *Personal Trading Practices*

WCF and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for the client account. WCF and our personnel may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. WCF prohibits trading in a manner that takes personal advantage of price movements caused by client transactions. Personal securities transactions must never adversely affect clients.
2. WCF personnel must receive pre-clearance from the Chief Compliance Officer prior to transacting in their personal account for any purchase or sale that involves a security that WCF is trading in client accounts, or recommending to clients (except when the transaction meets our *de minimis* policy described below).
3. Conflicts of interest also may arise when WCF's personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. WCF's personnel are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.
4. If we wish to purchase or sell the same equity or ETF security as we recommend or take action to purchase or sell for a client, we may aggregate our order with client orders so that we receive the same execution as clients (see ***Aggregation with Client Orders*** below).

### *De minimis Policy*

Security transactions by WCF and our personnel are generally subject to a pre-clearance policy that seeks to make personal trading consistent with our fiduciary duty to clients. However, WCF and our personnel are not required to pre-clear certain *de minimis* transactions that we believe would not

adversely affect client interests or the securities markets when conducting small transactions in largely capitalized/frequently traded securities.

### *Aggregation with Client Orders*

WCF may aggregate orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices, commissions, and other transaction costs equitably among our clients. These are benefits of aggregating orders that we might not obtain if we placed those orders independently.

WCF may aggregate trades in like securities among client accounts as well as with accounts of WCF and our personnel, if we follow the policies described below. This presents a potential conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel.

Our policies to address this conflict are as follows:

1. We will disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation;
3. No account will be favored over any other account. This includes accounts of WCF or any of our personnel. Each account in aggregated trade will participate at the average share price for all of our transactions in a given security on a given business day. All accounts will pay their individual transaction costs.
4. Before entering an aggregated order for fixed income trades, there is a multi-step process conducted to specify the participating accounts and how WCF intends to allocate the order among accounts to identify the allocation. Factors that are considered may include the portfolio's bond needs, maturity, and/or liquidity needs.
5. Before entering an aggregated order for equity and ETF trades, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts;
6. If the aggregated order is filled entirely, we will allocate shares among clients according to the Allocation Statement; if the order is partially filled, we will allocate it pro-rata according to the Allocation Statement.
7. However, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. In this case, we will explain the reasons for a different allocation in writing, which the CCO must approve;



8. If an aggregated order is partially filled and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the aggregated order been completely filled;
9. Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account;
10. Funds and securities of clients participating in an aggregated order will be maintained at the qualified custodian. Clients' cash and securities will be held in a master account collectively, but not held any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practical;
11. We do not receive additional compensation or remuneration of any kind as a result of aggregating orders; and
12. We will provide individual investment advice and treatment to each client's account.

### Proprietary Private Funds

WCF and WCF RE Associates III LLC, a related party, are the general partners of the applicable Funds, and WCF manages the Funds and may recommend one or more of the Funds to clients for which we believe the investment is suitable. WCF only recommends a Fund to clients who meet the requisite income and/or net worth requirements and where we believe that the investment is appropriate for the client based on the client's ability to accept the risk. Clients will receive the appropriate offering memorandum and disclosure of known risks before investing. A conflict exists because WCF stands to benefit from additional investment in the Funds. To address this conflict, when WCF recommends a Fund to advisory clients, clients will not be charged WCF's investment management asset-based fees on the portion of the client's assets invested in the Fund. In addition, WCF will reimburse the client by the amount, if any, that the client's share of the 1.00% Fund management fee exceeds the lowest advisory fee payable by the client under our advisory agreement with the client; for example, if the client qualifies for an advisory fee under 1.00% based on the client's total assets under management with WCF, WCF will reimburse the client for the difference between the 1.00% Fund management fee rate and the lower advisory fee rate the client would have paid on those managed assets.

## **ITEM 12 - BROKERAGE PRACTICES**

WCF requires clients to open one or more custodian accounts in their own name at a custodian of the client's choice. Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. For clients in need of brokerage or custodial services, WCF will generally recommend discount brokerage firms to implement transactions. In particular, we recommend that our clients use

Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold your assets in a brokerage account, and buy and sell securities when we instruct them to.

While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though you may decide to maintain accounts at Schwab, WCF upon its discretion may use other brokers to execute trades for your account as described below (see ***Your Brokerage and Custody Costs***, below).

### *How We Select Brokers/Custodians*

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

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for your account)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to us and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us From Schwab***)

### *Your Brokerage and Custody Costs*

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services. However, Schwab receives compensation by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We

have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see ***How We Select Brokers/Custodians***).

### *Products and Services Available to Us From Schwab*

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide WCF and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts; others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200.

Following is a more detailed description of Schwab’s support services:

#### *Services That Benefit You*

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

#### *Services That May Not Directly Benefit You*

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

#### *Services That Generally Benefit Only Us*

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

1. Educational conferences and events

2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Other mutual fund providers such as Dimensional Fund Advisors provide benefits such as educational events at no charge to WCF. WCF is responsible for any lodging to such events.

As part of our fiduciary duty to clients, WCF endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by WCF or our personnel in and of itself creates a potential conflict of interest and may indirectly influence WCF's recommendation of Schwab for custody and brokerage services.

#### *Our Interest in Schwab's Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients.

WCF primarily support our selection of Schwab by the scope, quality, and price of Schwab's services (see ***How We Select Brokers/Custodians***, above) and not Schwab's services that benefit only us.

#### *Brokerage for Client Referrals*

WCF does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

#### *Directed Brokerage*

Generally, WCF does not allow clients to direct WCF to use a specific broker-dealer to execute transactions. Not all investment advisers require their clients to trade through specific brokerage firms. By requesting clients to use Schwab we believe that we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

There are some clients who direct us to use a specific broker-dealer to execute transactions. Clients who direct WCF to use a particular broker-dealer for all trading may pay higher commission charges. Under these circumstances, WCF may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Clients should further understand that when they direct WCF to use a specific broker disparity in transaction charges might exist between the transaction costs charged to other clients.

Generally, if a discretionary client requests WCF to direct their brokerage and not use Schwab as their broker-dealer/custodian, we will facilitate our trading activity and best execution obligations by assisting the client to open a DVP (Delivery Versus Payment) account at Schwab. The DVP account allows WCF to take advantage of fixed income pricing opportunities and equity block trading opportunities as they may occur. WCF has done an evaluation and feels that the benefits of being able to aggregate client trades and seek best execution outweigh the higher execution costs. This evaluation included taking into consideration the additional fees or expense that either broker-dealer may charge the client for the settlement of DVP account transactions.

### **Aggregation and Allocation of Transactions**

We describe our aggregation practices in detail under *Item 11 - Aggregation with Client Orders* above.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

We manage client's portfolios on a continuous basis and generally review all positions in client accounts at least quarterly. We offer account reviews to clients on at least an annual basis. Clients may choose to receive reviews in person, by telephone, or in writing. Each account has at least one Portfolio Manager and one Relationship Manager assigned to the account. The Portfolio Manager is primarily responsible for making specific investment decisions, ensuring the accounts are in compliance with the client's investment policy statement, and conducting account reviews on a regular basis. The Relationship Manager also stays informed on a regular basis regarding the client's account. All reviews are performed by a Managing Principal or Principal of WCF. We conduct all reviews based on a variety of factors. These factors may include but are not limited to consistency of the account with the client's asset allocation, stated investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, we may conduct a special review of an account based on one or more of the following:

1. A change in the client's investment objectives, guidelines and/or financial situation;
2. Changes in diversification;
3. Tax considerations;
4. Material cash deposits or withdrawals; or
5. For other situations, as the need arises.

## Financial Plan Reviews

WCF will perform financial planning reviews and updates for clients based on their individual circumstances or needs, upon request, or as agreed in the retainer agreement. Joseph E. Ferreira is responsible for ensuring clients' financial plans are prepared and presented in accordance with WCF's standards. The Relationship Manager will generally present and discuss the plan, as well as any updates or alterations to the plan, with each client.

## Account Reporting

Each investment management client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, WCF provides investment management clients written reports detailing performance in client accounts on either a quarterly, semi-annual or annual basis. WCF will specify the frequency of the reporting in the agreement between WCF and the client.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

### Schwab Support Products and Services

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's products and services to us.

### Outside Compensation

WCF may refer clients to unaffiliated professionals for a variety of services such as insurance, mortgage brokerage, real estate sales, accountant, and attorney. WCF only refers clients to professionals we believe are competent and qualified in their field. It is ultimately the client's responsibility to review the provider. We will generally provide the client with a list of professionals that the client can contact, and it is solely the client's decision whether or not to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and WCF has no control over the services provided by another firm. Clients who choose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by WCF.

Currently, WCF does not receive monetary compensation based on referrals to unaffiliated professionals. However, it could be concluded that WCF is receiving an indirect economic benefit from the arrangement as the relationships are mutually beneficial and there could be incentive to recommend services of those who refer clients to WCF. If in the future WCF does receive compensation for such referrals, we will amend our ADV at that time and inform any client affected.

WCF will never share information with an unaffiliated provider unless first authorized by the client. Clients are under no obligation to purchase any products or services through these professionals.

## **Referral Arrangements**

If a client is introduced to WCF by an individual and/or organization (“solicitor”), WCF may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940. Any such referral fee will be paid solely from WCF’s investment advisory fee and will not result in any additional charge to the client. The solicitor will disclose the nature of the solicitor relationship with WCF at the time of the solicitation and provide each prospective client with a copy of this brochure. In addition, any unaffiliated solicitor of WCF will at the same time also provide a written disclosure statement to the client disclosing the terms and conditions of the arrangement between WCF and the solicitor, including the compensation the solicitor will receive from WCF.

## **ITEM 15 - CUSTODY**

WCF has limited custody of some of our clients’ funds or securities when the clients authorize us to deduct our management fees directly from the client’s account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients’ funds and securities. Clients will receive statements directly from the qualified custodian at least quarterly. The statements will reflect the client’s funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of WCF’S fee. Clients should carefully review the account statements they receive from their qualified custodian. When clients receive statements from WCF as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

WCF and WCF RE Associates III, LLC (a related party) also has custody of the assets of the applicable Funds. WCF and WCF RE Associates III, LLC, as the general partners of the applicable Funds, has the ability to request funds from the custodian out of the Fund account. WCF has put controls in place, in compliance with federal rules, to protect investors’ assets in the Funds. An independent qualified custodian holds each of the Fund’s assets. In addition, an independent accountant conducts a surprise examination of each Fund every year.

## **ITEM 16 - INVESTMENT DISCRETION**

WCF has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. Unless specifically outlined in their Letter of Engagement or Investment Policy Statement, WCF will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.



However, certain client-imposed conditions may limit WCF's discretionary authority, such as where the client prohibits transactions in specific security types or directs WCF to execute transactions through specific broker-dealers. See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item 12 - Brokerage Practices**, above.

For non-discretionary accounts, WCF will contact the client before making recommendations it deems appropriate for the client. Non-discretionary clients should be aware that recommendations are typically time sensitive and the following circumstances may cause market movements to work against the client:

1. WCF will not effect the transaction until it receives verbal or written instructions from the client;
2. WCF generally will not aggregate transactions for non-discretionary accounts with discretionary accounts; and
3. Transactions for non-discretionary accounts will generally be effected after transactions in discretionary accounts.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

WCF may vote client securities (proxies) on behalf of our clients. When WCF accepts such responsibility, we will only cast proxy votes in a manner consistent with the best interest of our clients. Absent special circumstances, which are fully described in WCF's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in WCF's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, clients may contact WCF to request information about how WCF voted proxies for that client's securities or to get a copy of WCF's Proxy Voting Policies and Procedures. A brief summary of WCF's Proxy Voting Policies and Procedures is as follows:

### Proxy Voting Policy

WCF will vote proxies received for accounts that we manage if:

- The advisory agreement with the client expressly provides that we will be responsible for voting proxies we receive in connection with the client's account, or
- The advisory agreement with the client is silent on whether or not WCF will be responsible for voting proxies for the account and WCF has discretionary authority over the investment decisions for the client's account, or
- In the case of an employee benefit plan, the client (or any plan trustee or other fiduciary) has not reserved the power to vote proxies either in the advisory agreement or in the plan documents.

Generally, clients may not direct WCF with specific voting guidelines. WCF will vote proxies in a manner that is in the best interests of our clients as a whole. We will consider those factors that relate to the client's investment or dictated by the client's written instruction, including how the vote will economically impact and affect the value of the client's investment. In casting a vote, we will keep in mind that, after conducting an appropriate cost-benefit analysis, not voting at all on a presented



proposal may be in the best interest of the client. We have adopted specific proxy voting policies for both routine and non-routine items.

### *Our Proxy Voting Procedures*

- We have retained an unaffiliated third party proxy vendor to vote the proxies and record keeping services. WCF has adopted the vendor's voting guidelines and periodically reviews the vendor's proxy voting guidelines to confirm that guidelines are consistent with our principles.
- For all accounts where WCF has been delegated proxy voting authority, the proxy vendor will aggregate the shares to be voted and execute ballots per the proxy vendor guidelines.
- WCF will generally vote proxies in accordance with the third party vendor, unless we become aware of a potential or actual conflict of interest. (Refer below to our policy for addressing conflicts of interests)
- We will retain relevant proxy voting records through the proxy vendor.

### *How We Handle Conflicts of Interest*

We do not anticipate having a conflict of interest when voting proxies due to a business or personal relationship that we maintain with persons who have an interest in the outcome of certain votes. If a conflict does arise, we will take steps to ensure that proxy voting decisions are in the best interest of clients and are not the product of such conflict. Our policies to address conflicts of interest include the following:

- Engage a non-interested party to independently review WCF's vote recommendation;
- Cast the vote as recommended, if the vote would fall against WCF's interests; or
- Abstain from voting if we determine that action to be in the best interest of the client(s) under the circumstances.

### *Class Actions*

In cases where WCF is responsible for filing class actions on behalf of clients, we have selected an unaffiliated third party vendor to provide class action litigation monitoring and securities claim filing services on behalf of our clients. This vendor will monitor for class actions for which our clients may be eligible. Upon learning of any such class actions the vendor will collect the applicable documentation, interpret the terms of each settlement, file the appropriate claim form, interact with the administrators and distribute the award to applicable clients. The vendor charges clients a 15% contingency fee which is subtracted from the award at the time of payment. Clients may opt-out entirely of the class action filing service. Clients may change their opt-out election at any time by notifying WCF in writing. Because WCF provides this service to our clients through a third party vendor, we will not monitor class action suits or process any claim forms on clients' behalf, whether or not they opt-out of this service. If a client chooses to opt-out, the vendor also will not monitor any class action suits from which the client may be entitled to awards, and the vendor will not process any claim forms on the client's behalf. Clients who opt-out are entitled to pursue securities claims themselves.

## ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. WCF does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

## PRIVACY PRACTICES NOTICE

Your relationship with West Coast Financial, LLC ("West Coast Financial") is based on trust and confidence. To fulfill our responsibilities to you, West Coast Financial requires that you provide current and accurate financial and personal information. West Coast Financial will protect the information you have provided in a manner that is safe, secure and professional. West Coast Financial and our employees are committed to protecting your privacy and to safeguarding that information.

### Categories of Information We Collect

We may collect the following kinds of confidential personal information about you:

- Information we receive from you on account statements, legal documents, applications or other forms, such as your name, address, phone number, social security number, occupation, assets, income and other financial and family information
- Information about your transactions with us or with brokerages, banks and custodians with whom you hold investment or cash accounts. This information includes account numbers, holdings, balances, transaction history and other financial and investment activities

### Sharing Nonpublic Personal and Financial Information

West Coast Financial is committed to the protection and privacy of your personal and financial information. West Coast Financial will not share such information with any non-affiliated third party except:

- When necessary to complete a transaction in the account, such as with the clearing firm or account custodians;
- When required to maintain or service the account;
- To resolve customer disputes;
- When requested by a fiduciary or beneficiary on the account;
- To our attorneys, accountants or compliance consultants;
- When required by a regulatory agency, or for other reasons required or permitted by law;
- In connection with a sale or merger of West Coast Financial's business; and
- In any circumstance that has your instruction or consent.

### Protection of Personal Information

We restrict access to your personal and account information to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards to guard your personal information.

### Regulatory Requests

The U.S. Securities and Exchange Commission ("SEC"), as a function of its regulatory oversight duties, conducts regular inspections of registered investment advisers. Consequently, as a routine part of examinations, you may be contacted by the SEC directly for information pertaining to your account(s). Although your participation in this type of request is voluntary, West Coast Financial encourages our clients to participate. Finally, we recommend that before sharing any information, you verify the examiner's identity by contacting the SEC directly at (202) 551-EXAM (3926) or <http://www.sec.gov/contact/addresses.htm>.

### Former Clients

If you close your account(s) or become an inactive client, we will adhere to the privacy policies and practices as described in this notice. We will maintain our records and information as required by federal and state securities laws. If you require any additional information regarding our privacy practices, please contact us.

## SUMMARY OF OUR BUSINESS CONTINUITY PLAN

West Coast Financial has developed a Business Continuity Plan to maintain contact with you in the event of emergencies, natural disasters, communications interruptions, loss of Internet services, office fire, loss of computers or data, or other situations that interrupt our normal business operations. The goal of the plan is to enable us to continue serving our clients with minimal disruption and resume normal operations as quickly as possible.

Depending upon the severity and the exact nature of the event, we may need to temporarily conduct business from an alternate office location. If we find it necessary to temporarily move our operations, we will attempt to notify you by e-mail or telephone as soon as possible.

Alternate office contact information:

Office: Avila Beach: 6621 Bay Laurel Place, Avila Beach, CA 93424

Email: [info@wcfinc.com](mailto:info@wcfinc.com)

Ph: (805) 627-1600

Fax: (805) 627-1600

In an emergency, if you are unable to reach us through our normal contact methods, you should use the phone number or e-mail address above. If you still cannot contact us and need immediate access to your account, you can call your custodian directly, and they can assist you with any necessary transactions.

Charles Schwab & Co., Inc.: (800) 435-4000 or [www.schwab.com](http://www.schwab.com)

Fidelity Brokerage Services, Inc.: (800) 544-6666 or [www.fidelity.com](http://www.fidelity.com)

Utah Educational Savings Plan (UESP): (800) 418-2551 or [www.uesp.org](http://www.uesp.org)

If you'd like more information about our Business Continuity Plan, please call our office at (805) 962-9131 or send an email to [info@wcfinc.com](mailto:info@wcfinc.com).