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dba WESCAP GROUP**

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**FORM ADV PART 2  
BROCHURE**

This Brochure provides information about the qualifications and business practices of WESCAP Group. If you have any questions about the contents of this Brochure, please contact us at 818.563.5170. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about WESCAP Group is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for WESCAP Group is 104759.

WESCAP Group is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated February 24, 2023, we have made the following material changes:

- We have amended Item 12, *Brokerage Practices*, to disclose that as of September 2023, we are using the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab"), a registered broker/dealer, member SIPC.

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## Item 4 Advisory Business

### Description of Services and Fees

WESCAP Management Group, Inc., doing business as ("dba") WESCAP Group, is a registered investment adviser based in Glendale, California. We are organized as a corporation under the laws of the State of California. We have been providing investment advisory services since 1988. Eric Weinlein, Joel Edstrom and Margaret Adams are our principal owners. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Wealth Management
- Automated Asset Management Program
- Financial Planning Services

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this Brochure, the words "we", "our" and "us" refer to WESCAP Group and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Wealth Management

We offer discretionary and non-discretionary wealth management. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for Wealth Management, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you, we will monitor your portfolio's performance, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

The following services are provided for Wealth Management accounts:

- Investment selection and portfolio management;
- Quarterly investment tracking and reporting;
- Ongoing review of investment performance and asset allocation;
- Review of any changes in portfolio objectives, market conditions and target asset allocation;
- Recommendations or actions on additional investment purchases and sales;
- Financial planning, review, and consulting services will be provided on an as needed or by request basis (see page 6).

Not all financial planning, review, and consulting services will be provided to everyone. WESCAP is not obligated to provide comprehensive financial planning, unless expressly agreed to. WESCAP will be responsible only for financial planning services agreed to in writing. There is no additional fee for these services so long as assets meet the above minimum.

If you participate in our discretionary Wealth Management service, we require that you grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or trading authorization forms. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any

transactions on behalf of your account. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

### **Automated Asset Management Program**

We offer an automated investment program (the "AAM Program") through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds ("ETFs") and a cash allocation.

This service is for portfolios between \$150,000 to \$500,000. It utilizes a Charles Schwab, Inc. specialized trading platform that automates the risk assessment, cash flow management and trading functions. WESCAP manages the asset allocation and selects the investments from a subset of Charles Schwab approved no-transaction fee ETFs. Clients primarily interact via an automated website rather than directly with a WESCAP advisor. There are no financial planning services provided. If any of these financial planning services are desired, then a separate Financial Planning service and additional service fee will be agreed to in advance. Portfolio and account statements will be provided directly from Schwab, with no separate WESCAP-provided quarterly reports.

The client may instruct us to exclude up to three ETFs from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("Schwab"). We use the Institutional Intelligent Portfolios platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of Schwab, to operate the AAM Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, Schwab, or their affiliates (together, "Schwab"). We, and not Schwab, are the client's investment advisor and primary point of contact with respect to the AAM Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the AAM Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the AAM Program. The Platform enables us to make the AAM Program available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an online questionnaire that helps us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

### **Financial Planning Services**

We also engage in financial planning services for a fee. Financial planning and consulting will typically involve providing a variety of services, principally advisory in nature, to you regarding the management of your financial resources based upon an analysis of your individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we may deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Our financial planning services consist of Financial Review services and/or Financial Consulting services.

## **Financial Review**

The fee for our Financial Review service is based upon the complexity of the review. The services to be provided generally include the following:

Long-term financial security forecast:

- Gather information about your income, expenses, assets and liabilities;
- Project cash flows and investment balances;
- Develop different future scenarios to review alternative strategies;
- Often include a Monte Carlo forecast to analyze the effects of various investment return scenarios.

## **Financial Consulting**

Financial planning, analysis and consulting fees are based upon the scope of services provided. Fees are charged on either an hourly rate of \$450 or a fixed fee negotiated with you. All fees will be agreed upon in advance based upon the services to be provided. Under no circumstances will we require prepayment of a fee more than 6 months in advance and in excess of \$1,200, as services will be rendered within six months of the date of contract. Financial Consulting may address any of the following areas:

- Income Tax, Cash Flow, Asset Allocation: Forecast of taxes and cash flow; Current asset allocation; Special situation analysis (Stock options, diversification, etc.).
- Illiquid Investments: Review and analysis of existing investments; Past performance evaluation; Analysis of proposed investments.
- Liquid Investments: Analysis of existing and suggested portfolio; Analysis of various categories of investment.
- Insurance Review: Coverage analysis coordinated with insurance agent.
- Estate Planning Review (coordinated with attorney): Analysis of current wills and trusts; Death tax calculations; Recommendation of potential appropriate techniques.
- Budgeting and Debt Management: Recommendation of loan restructuring; Recommendation of loan sources; Assistance with banking relationships.
- Planning for Children's Education: Needs analysis; Review of funding strategies including UTMA's, 529 plans and other methods.
- Other Financial Analysis

You may act on our recommendations by placing securities transactions with any brokerage firm you choose. You are under no obligation to act on our financial planning recommendations. Moreover, if you elect to act on any of the recommendations, you are under no obligation to implement the financial plan advice through our firm. In some cases we may reduce or waive our financial planning fee if you implement our investment recommendation through our firm.

Fees for Financial Planning may be waived for Wealth Management clients at WESCAP's discretion.

Either party may terminate the financial planning agreement within five days of the date of acceptance without penalty or fees to the client. After the five-day period, upon written notice to the other, either party may terminate the financial planning agreement.

## **Types of Investments**

We primarily provide advice on mutual funds; however, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of December 31, 2022, we provide continuous management services for \$650,800,000 in client assets on a discretionary basis, and \$198,900,000 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Wealth Management**

Our annualized fee for discretionary Wealth Management is based on the following blended tiered fee schedule:

<b>Assets Under Management</b>	<b>Maximum Annual Advisory Rate*</b>
On the first \$0.5 million	1.25%
On the next \$1 million	1.00%
On the next \$3.5 million	0.75%
On the next \$2.5 million	0.50%
On the excess over \$7.5 million	0.40%

\*We generally require a minimum account balance of \$500,000 for wealth management accounts with a minimum fee of \$1,562.50/quarter. These minimums may be waived or lowered in our sole discretion. For non-discretionary accounts, an additional fee will be added to the fee schedule above.

Our annual fee for asset management services is billed quarterly in arrears based on the asset value of the portfolio on the last trading day of the quarter. In certain circumstances, other paying arrangements may be negotiated upon your request. Our fees will be assessed pro rata in the event the Wealth Management Agreement is executed at any time other than the first day of a calendar quarter.

In our sole discretion, we may negotiate asset management fees for managed accounts depending on factors such as the amount of assets under management, range of investments, and complexity of your financial circumstances, among others. Also in our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

The fees charged are calculated as described above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client. We do not represent, warrant, or imply that the services or methods of analysis used by our firm can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections.

Either party may terminate the asset management agreement within five days of the date of acceptance without penalty or fees to you. After the five-day period, upon written notice to the other, either party may terminate the Asset Management Agreement. The asset management fee will be pro-rated for the quarter in which the cancellation notice was given.

Please refer to the "Advisory Business" section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Automated Asset Management Program**

Our annualized fee for the Automated Asset Management Program is 1% based on the asset value of the portfolio on the last trading day of the quarter, billed quarterly in arrears. This fee will be automatically deducted from the account(s). The minimum fee per quarter is \$375. Our fees will be assessed pro rata in the event the Asset Management Agreement is executed at any time other than the first day of a calendar quarter.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of the AAM Program. Schwab does not receive other revenues in connection with the Program.

We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in the AAM Program. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in the AAM Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the AAM Program be maintained with Schwab. Clients do not pay fees to SPT or brokerage commissions or other fees to Schwab as part of the AAM Program. Schwab does not receive other revenues in connection with the AAM Program. Brokerage arrangements are further described below in Item 12 Brokerage Practices.



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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the Advisory Business section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities and private funds.

In general, we require a minimum of \$500,000 to open and maintain a Wealth Management advisory account.

Clients eligible to enroll in the Automated Asset Management Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the AAM Program. The minimum investment required to open an account in the AAM Program is \$150,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

At our discretion, we may waive any minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum for one of our services.

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

### **Our Methods of Analysis and Investment Strategies**

Our investment approach strives for outstanding risk-adjusted returns across a range of market conditions. The central tenets are:

- Strategic & tactical asset allocation
- Broad global diversification
- Contrarian / Value-oriented
- Low transaction and ownership costs
- Tax efficiency

### **Types of Investments**

We primarily provide advice on mutual funds and Exchange Traded Funds (ETFs). However, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## **Strategic & Tactical Asset Allocation**

Strategic Asset Allocation - We seek under-appreciated assets with a high likelihood of solid long-term returns. Out-of-consensus, misunderstood or newer types of assets without an established following often populate WESCAP Group portfolios. Nevertheless these assets in aggregate need to have a high margin of financial safety, so that the underlying assets can operationally continue and even thrive during periods of financial turbulence. Undervalued assets are identified by comparisons of numerous fundamental investment characteristics, which for equities often includes earnings, margins, return on equity, debt coverage, cash flow, barriers to entry, competitive advantage and both growth and decay attributes. Sensitivity to labor costs, interest rates, currencies and commodities and energy costs are a few of the factors that are reviewed. For fixed income investments, interest rates and credit spreads, the yield curve, potential default and loss rates, duration, maturity, and income tax attributes are heavily relied upon. An economic overlay is included, such as the effects of the business cycle, changes to monetary and fiscal stimulus, currency conditions, inflation and differences between U.S. and foreign economies and markets. The concepts of classic Modern Portfolio Theory (MPT), volatility (risk), expected return and correlation between different assets are then used to derive a range of highly-diverse portfolios with different mixes of favored assets with a wide range of risk and return characteristics. These are then applied to various individual client situations and modified as needed for the unique needs of each individual investor. Tactical Asset Allocation - Particular assets may be emphasized more heavily than typically when they offer greater-than-typical opportunity. These opportunities may be driven by many factors, such as historically inexpensive valuation, larger margin of safety, deep discounts to net asset value (e.g. closed-end mutual funds), contrarian reversion-to-the-mean expectation, or inflection points in the business and earnings cycle. Temporary uncertainties in market, legal or regulatory frameworks can yield short-term opportunities that should not be ignored. Technical indicators, when they reach various threshold extremes, may influence investment decisions. These could include insider selling volume, volatility indices, sentiment indicators, earnings surprise and revision ratios, investment flows, and others uniquely important to the time period.

## **Broad Global Diversification**

Our open architecture approach allows us to provide our clients with exposure to a multitude of asset classes and strategies, some of which are unfamiliar to many investors. Moreover, some of our core investments are unavailable to retail investors and clients of other financial services firms. Our clients have at one time or another owned:

- Large and small cap U.S., European, Japanese and emerging markets stocks.
- Short term, intermediate and long-term municipal bonds, corporate and convertible bonds, European and emerging markets bonds, high yield bonds, and emerging markets money market funds.
- U.S., European and Asian real estate.
- Bankruptcy securities, merger arbitrage, convertible bond arbitrage and other hedged strategies.
- Natural resources and commodity-linked securities.

We take a proactive approach and are early adopters of new asset classes which are likely to benefit our clients' portfolios through risk reduction and/or enhanced returns. An example would be the use of the only (at that time) available emerging markets currency fund to capture high current yield and exposure to currencies in trade surplus countries.

**Contrarian/Value-Oriented Approach**

As contrarian investors, we are constantly looking for opportunities in out-of-favor assets because such investments often provide attractive returns for patient investors. Past examples of contrarian investments we have made on behalf of our clients include drug stocks during the Clinton administration, Texas real estate during the oil bust of the early 1990's, and savings & loan companies during the savings and loan debacle of 1991.

**Efficient Transaction and Ownership Costs**

WESCAP Group seeks the best means to invest in various asset classes. We attempt to minimize costs whenever reasonable to do so. Because of our open architecture approach, we can consider gaining asset class exposure through many investment vehicles. Among open-end mutual funds, many of the funds we use are the institutional class shares, which have lower costs than average retail mutual funds. To further minimize transaction fees, account rebalancing is done judiciously.

**Tax efficiency**

At times, we can allocate less tax efficient (but attractive) investments to tax-deferred accounts. In taxable accounts we try to hold positions for long-term capital gains unless it is imprudent to do so. We also manage sales in taxable accounts by tax lot and by active tax-loss harvesting, thereby reducing tax liability.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Custodians will default to the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

**Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

**Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend "no-load" mutual funds however; we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own

unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, other types of mutual funds do charge such fees which can also reduce returns.

## **Item 9 Disciplinary Information**

WESCAP Group has been registered and providing investment advisory services since 1988. Neither our firm nor any of our management persons has any reportable disciplinary information.

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

Our firm serves as Managing General Partner of Hedgecap Partners, L.P. The partnership generally invests in securities-oriented limited partnerships. This partnership may use hedging techniques and leverage to attempt to reduce volatility and improve investment returns.

Our firm receives management and operating fees for managing Hedgecap Partners, L.P. Fees and other information are disclosed to clients through the private offering memorandum, partnership agreement and subscription documents.

Persons affiliated with our firm may have made an investment in Hedgecap Partners, L.P. and may have an incentive to recommend investments in Hedgecap Partners, L.P. over other investments.

These referral arrangements we have with our affiliated entities present a conflict of interest because we may have a financial incentive to recommend our affiliates' services. While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

Approximately 10% of our firm's time is spent on retirement, tax, estate and insurance planning and on other non-asset management issues. Retirement planning involves developing and analyzing long-term financial projections. Tax advice includes estimation of liability, and planning around limits such as investment interest expense, alternative minimum tax, and related topics. Estate planning advice includes recommendations on titling of assets, establishment of trusts, designation of beneficiaries, and the financial effects of various estate plans. Insurance planning includes review of homeowner's, life, liability, and disability insurance coverage. Coordination with CPAs, attorneys, and insurance agents may be provided.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at 818.563.5170.

### **Participation or Interest in Client Transactions**

We serve as the Managing General Partner to Hedgecap Partners, L.P. ("Hedgecap"), a private pooled investment vehicle in which you may be solicited to invest. Persons associated with our firm may have significant investments in Hedgecap. If you are an investor in Hedgecap, please refer to Hedgecap's offering documents for detailed disclosures regarding Hedgecap. Additionally, individuals associated with our firm may buy or sell - for their personal account(s) - investment products identical to those purchased by clients. This practice may create a conflict of interest. It is our policy that neither our Associated Persons nor WESCAP shall be favored over clients.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

### **The custodian and brokers we use**

We do not maintain custody of your assets under our management, although we may be deemed to have limited custody of your assets if you give us authority to withdraw our fees from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank ("Custodian"). Currently, we request that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian for most of their accounts under our management to take advantage of institutional capabilities we currently have access to at Schwab, such as aggregated trading allowing our firm to execute trades for multiple clients in a single block trade with all included clients thereby receiving the same price for that trade. We previously requested the brokerage and custodial services of TD Ameritrade, Inc., which was acquired by The Charles Schwab Corporation in the fall of 2020. Schwab is currently the only Custodian at which we have access to certain institutional capabilities such as aggregated trading. However, when we feel a client account's anticipated needs can be best met by another custodian, we

will recommend that account be held at that other custodian so long as that custodian supports the required limited power of attorney authority and capabilities for our firm to provide you with the services you are requesting.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and will buy and sell securities when we instruct them to. While we request 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. Conflicts of interest associated with our use of institutional services at Schwab are described below as well as in Item 14 (Client Referrals and Other Compensation).

### **How we select brokers/custodians**

We seek to use a custodian that will hold your assets and execute transactions with a combination of capabilities that will allow us to provide you with high quality services. When considering whether the terms that Schwab provides are, overall, most advantageous for an account when compared with other available providers and their services, we consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds "ETFs", etc.)
- Types of accounts offered and their features, such as various retirement plans, health savings accounts, 529 plans, etc.
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services and convenience to clients
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security, and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below (see "Products and services available to us from Schwab")

With respect to the Program, as described above under Item 4 Advisory Business, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at Schwab that are not enrolled in the Program. In light of our arrangements with Schwab, we may have an incentive to recommend that our clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our business, rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of 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. It is primarily supported by the scope, quality, and price of Schwab services and not Schwab's services that benefit only us.

### **Your brokerage and trading costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you execution costs (commissions) or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many



mutual funds, and U.S. exchange-listed equities and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program.

We are not required to select the broker or dealer that charges the lowest transaction costs overall or on each individual trade placed for your accounts, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades for accounts we manage that are held at Schwab 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"). By using another broker or dealer you may pay lower or higher transaction costs.

### **Products and services available to us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to retail customers at Schwab or other retail brokerages. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available at no charge to us. 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:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our client's accounts
- 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:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession

- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

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.

### **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 don't have to pay for Schwab's services. (These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody.) This may create 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. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us.

Additionally, Adviser takes into consideration its arrangement with Schwab as to obtaining price discounts for Schwab's automatic portfolio rebalancing service for advisors known as "iRebal".

The standard iRebal annual license fee applicable to Adviser is \$32,000 based on current assets. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the Schwab platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the Schwab platform will bring fee reductions of up to 100% per year for each of as many as three years or more.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs).

If Adviser does not maintain the relevant level of taxable assets on the Schwab platform, Adviser may be required to make a penalty fee payment to Schwab calculated on the basis of the shortfall.

Although Adviser believes that the products and services offered by Schwab are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with Schwab as to the iRebal service may affect Adviser's independent judgment in selecting or maintaining Schwab as the broker or custodian for client accounts.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We routinely suggest that you direct our firm to execute transactions through Schwab. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer offering the same types of services. Not all advisers require their clients to direct brokerage.



**Block Trades**

No client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions in that security at each broker on a given business day, with transaction cost shared pro-rata, subject to broker minimum fees, based on each client's participation in the transaction. If more than one broker is used to transact, we will strive to trade so as not to favor clients at any one broker.

We will prepare, before entering an aggregated order, a written statement (Allocation Statement) specifying the participating client accounts and how we intend to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated pro-rata based on the Allocation Statement.

Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained no later than one hour after the market opening on the trading day following the day the order was executed.

**Item 13 Review of Accounts**

Your account is reviewed on an ongoing basis by the Associated Person assigned to your account and periodically by a corporate officer of our firm. Reviews are conducted for the purpose of evaluating, reporting, rebalancing, and implementing the investment objective of each client.

For asset management accounts, statements are sent by the broker-dealer or custodian that maintains custody of your account on at least a quarterly basis. Financial planning clients may receive written financial plans, which are designed to achieve their stated financial goals and objectives.

**Item 14 Client Referrals and Other Compensation**

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

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. We benefit from the products and services provided because the cost of these services would otherwise be borne directly by us, and this creates a conflict. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

Employee and non-employee (outside) solicitors, e.g. unaffiliated broker-dealers, investment advisers, accountants, attorneys, etc., who are directly responsible for bringing a client to our firm, may receive compensation from us for the client referral. Under these arrangements, you do not pay higher fees than our normal/typical advisory fees.

Such arrangements will comply with the requirements set forth under the Investment Advisers Act of 1940 and/or the applicable state Securities Act, including a written agreement between our firm and the solicitor. Non-employee solicitors must provide a copy of our ADV Part 2 (Disclosure Brochure) and a separate solicitor's disclosure statement regarding the relationship between the solicitor and our firm to the prospective client at the time of the solicitation or referral. The prospective client will be

requested to acknowledge this arrangement prior to acceptance of the account for advisory services. Applicable state laws may require these persons to become either licensed or registered as representatives of our firm or as an independent investment adviser.

## **Item 15 Custody**

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts allows our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Eric Weinlein, Chief Compliance Officer at 818.563.5170.

We serve as Managing General Partner to Hedgecap Partners, L.P., a pooled investment vehicle. In our capacity as Managing General Partner of Hedgecap Partners, L.P., we will have access to Hedgecap Partners, L.P. funds and securities, and therefore have custody over such funds and securities. We provide each investor in Hedgecap Partners, L.P. with audited annual financial statements. If you are an investor in Hedgecap Partners, L.P. and have questions regarding the financial statements or if you did not receive a copy, please contact Eric Weinlein, Chief Compliance Officer at 818.563.5170.

If we set up transferability for your accounts, we also may be deemed to have limited custody.

We are deemed to have custody of a client's assets if the client authorizes us to instruct Schwab to deduct our advisory fees directly from the client's account. This is the case for accounts in the Automated Asset Management Program. Schwab maintains actual custody of clients' assets. Clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address the client provided to Schwab. Clients should carefully review those statements promptly when received. We also urge clients to compare Schwab's account statements to any reports clients receive from us.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign one of our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). Since your input will influence portfolio positions, non-discretionary account holdings may be significantly different from discretionary accounts.

## **Item 17 Voting Client Securities**

### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you.

## **Item 19 Requirements for State Registered Investment Advisers**

We are an SEC registered investment adviser; therefore, this section is not applicable.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at 818.563.5170, if you have any questions regarding this policy.

### **Trade Errors**

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer, which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in the your account unless the

same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g. due to tax reasons).

If Schwab is the custodian and the gain does not remain in your account, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

If Schwab is your custodian, we are responsible for any gain(s) or loss(es) due to a trade error. Gains will be allocated to our sundry account and then allocated to the account in which the trade error occurred. Losses will be billed directly to our firm.