

# Wetherby Asset Management Part 2A of Form ADV The Brochure

580 California Street, Eighth Floor  
San Francisco, CA 94104

One Rockefeller Plaza, Suite 2610  
New York, NY 10020

[www.wetherby.com](http://www.wetherby.com)

Updated: March 2018

This brochure provides information about the qualifications and business practices of Wetherby Asset Management (“Wetherby”). If you have any questions about the contents of this brochure, please contact us at 415-399-9159. 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.

Wetherby delivers its Form ADV Part 2 along with each new client’s investment advisory agreement. Following signature of the investment advisory contract, client has 5 days to unconditionally rescind the contract at no charge. Client is bound however to settle any transactions Advisor may have effected for the account during the 5 days at client’s risk. Form ADV Part 2 is also provided annually to existing clients if there are material changes or upon request.

Additional information about Wetherby Asset Management is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Wetherby’s most recent modification to Part 2 of Form ADV includes an updated Assets Under Advisement (AUA) figure which now reflects a December 31, 2017 “as of” date. Additional updates were made to reflect the number of Wetherby Asset Management shareholders, members of our Investment Committee, as well as updates regarding our industry affiliations and account custody policies.

## Table of Contents

Material Changes.....	2
Table of Contents .....	2
Advisory Business .....	2
Fees and Compensation.....	3
Performance Based Fees and Side-by-Side Management .....	5
Types of Clients.....	5
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	7
Other Financial Industry Activities and Affiliations .....	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
Brokerage Practices .....	9
Review of Accounts .....	13
Client Referrals and Other Compensation.....	13
Custody.....	13
Investment Discretion.....	14
Voting Client Securities .....	14
Financial Information .....	15

## Advisory Business

Wetherby Asset Management provides investment management services to its clients, consisting of high net worth individuals and associated trusts, pension and profit sharing plans, charitable organizations, foundations and endowments, and other legal entities. Clients generally work with Wetherby under one or more of the following arrangements:

- Under a discretionary arrangement – in which the client grants Wetherby the discretion and authority to supervise, invest and trade assets placed under its management consistent with established client objectives and guidelines.
- Under a non-discretionary arrangement – in which Wetherby provides varying services based upon mutual agreement.
- Under a consulting arrangement – in which Wetherby provides varying consulting services based upon mutual agreement.

Wetherby may also provide some material elements of financial planning as needed to its clients. Financial planning may include financial statement preparation and analysis, income tax planning guidance, education planning, risk management, retirement planning and estate planning guidance. Wetherby may or may not charge additional fees for financial planning. In providing its

services, the standard of care imposed upon Wetherby shall be to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, whether Wetherby may acquire, or not acquire, securities or property for itself or for any other client will not be considered in determining the advisability of acquiring or not acquiring similar securities or property for the portfolio account of any client.

Wetherby, in consultation with each client, structures a portfolio to meet the investment goals, risk tolerance and other guidelines as specified by the client. Client assets are generally invested in open end, no-load mutual funds or other pooled investment vehicles. Under some circumstances, investments are made in individual equities, ETF's or fixed income securities and closed end mutual funds. Some client assets may be invested in certain private investment funds or other separate account vehicles or strategies managed by other advisors. Some separate account advisors primarily invest in individual equities and/or bonds.

Wetherby also acts as the advisor to LRHF II Holdings Company, LLC ("LRHF"), an affiliated fund of funds. LRHF is an investment vehicle that was created to facilitate Wetherby clients' access to private fund offerings. Wetherby does not charge LRHF an advisory fee or a performance-based fee.

Clients can place reasonable restrictions on Wetherby's investment discretion. For example, some clients have asked not to sell certain securities where the client has a particularly low tax basis.

Wetherby was founded in 1990 and is wholly owned by 20 owners, four of which are non-employees. Each member of Wetherby's professional staff is evaluated on the basis of his or her education and work experience. Wealth Managers generally are required to have a professional license or advanced degree or certification such as a CFP, CPA, CFA, CPWA, CIMA, MBA or other similar certification or relevant professional experience.

As of December 31, 2017 Wetherby managed ~\$4.58 billion on a discretionary basis, ~\$172.0 million on a non-discretionary basis and ~\$60.5 million on a consulting basis on behalf of approximately 500 clients.

## **Fees and Compensation**

Wetherby charges most of its clients an annual investment management fee based on the following schedules:

### **Fee Schedule – Over \$10 Million AUM**

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$10 Million	0.75%
Amounts in excess of \$10 Million & up to \$40 Million	0.55%
Amounts in excess of \$40 Million & up to \$80 Million	0.25%
Amounts in excess of \$80 Million	0.15%

## Fee Schedule – Under \$10 Million AUM

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$3 Million	1.00%
Amounts in excess of \$3 Million & up to \$9 Million	0.75%
Amounts in excess of \$9 Million & up to \$10 Million	0.00%

Fee schedules for non-discretionary and consulting accounts (primarily for individuals) may vary (i.e. flat fee or hourly rate, etc.) from stated rates above. The total fees for such services will vary depending on the nature and complexity of each client’s financial circumstances and the services authorized and performed.

Clients may direct Wetherby to maintain “unsupervised assets” within the portfolio for the convenience of the client. Wetherby generally does not charge a management fee on unsupervised assets and is not responsible for the supervision or suitability of such assets. However, Wetherby may charge a fee on certain unsupervised assets such as the case when Wetherby is asked to provide ongoing reporting or research of unsupervised private investments.

Wetherby may negotiate a different investment advisory fee arrangement with the client, including a flat fee arrangement based on the nature of the client’s account.

Wetherby’s fees may also comprise of a negotiated fee in which the client contributes a portion of the negotiated fee into Wetherby’s Donor Advised Fund. Wetherby’s fees may also include a contingent fee structure, such as a fee arrangement in which Wetherby receives a percentage of the savings the client may realize due to a reduction in another investment manager’s fees and expenses. The fee and expense reduction is a result of Wetherby’s direct or indirect negotiation with the investment manager on behalf of the client.

Wetherby has negotiated lower fees for certain clients, such as charitable organizations or employees’ family members and friends.

Wetherby typically charges fees quarterly in advance based on the total market value of the account value at the end of the prior quarter. The initial quarterly fee for a new client is pro-rated based upon the date the client assets are transferred to Wetherby’s management or as negotiated between Wetherby and the client.

Most clients authorize Wetherby to deduct fees automatically from their brokerage accounts, but clients may request that Wetherby send quarterly invoices to be paid by check.

If a client terminates the investment management agreement with Wetherby in the middle of a billing period, Wetherby will refund any unearned investment management fee to the client on a pro-rata basis based upon the time remaining in the quarter.

Due to the illiquid nature of certain investments, Wetherby may utilize fair valuation methodologies in an attempt to represent the amount at which an asset could be acquired or sold

in a current transaction between willing parties in which the parties each acted knowledgeably, prudently, and without compulsion. The valuations of investments in private equity or other illiquid investments may be modified by Wetherby, in its sole discretion, if and to the extent that it shall determine that such modifications are advisable in order to reflect market or liquidity conditions or other factors affecting value.

It is the nature of private equity and other such illiquid investments to provide initial valuation estimates, and then refined estimates and / or actual numbers frequently months after the original estimates are distributed. As a consequence, it is Wetherby's policy to use the best information currently available for reporting and billing purposes for a given quarter. Also, consequently, Wetherby may receive updated pricing information months after a private equity or other illiquid investment has been valued for reporting and billing purposes. It is the policy of Wetherby to evaluate and determine potential discrepancies, rebating any material overcharges in a quarter, defined as greater than \$50.

In addition to Wetherby's investment management fees, clients bear trading costs and for certain investments (i.e., private placements) the custodian may charge the client a nominal fee to custody such investments.

To the extent that clients' accounts are invested in mutual funds or other pooled investment vehicles, these funds pay a separate layer of management, trading, and administrative expenses.

As previously noted, Wetherby does not charge LRHF an advisory fee or a performance-based fee, although Wetherby clients invested in LRHF will pay their normal asset-based fees for any assets that are invested in LRHF. The fund will incur separate administrative and legal expenses as part of its ongoing operations. Additionally, the underlying fund(s) that LRHF invests in will incur advisory, performance and other customary operational/administrative expenses.

Wetherby believes its fees are competitive with those fees charged by other investment advisors for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Wetherby.

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

Wetherby does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Wetherby.

## **Types of Clients**

Wetherby primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, charitable organizations, foundations, endowments, private funds and other legal entities. Wetherby's stated minimum account size is \$10,000,000, but this amount is negotiable.

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

Wetherby's Director of Research, Senior Research Analysts, Research Analysts, and Research Associates work together to conduct fundamental analysis on securities recommended for client accounts. Wetherby uses a variety of methods to evaluate the overall financial market, market sectors and various types of securities. Wetherby does its own internal research and analysis and receives research and analysis from third parties. Additionally, Wetherby reviews statements and reports provided by other investment advisors who are providing investment management services to Wetherby's clients. This analysis varies depending on the security in question.

After developing an investment policy for each client, Wetherby creates a unique long-term investment strategy. This strategy integrates the client's needs and goals with current developments in the economic and financial markets.

Wetherby's Investment Committee is led by Bong Choi and also includes the following committee members, Debra Wetherby, Chris Hauswirth, Drew Pratt, Steve Herzog, John Mell, Christy Covalesky, Simon Smundak, Justina Lai, Jonathan Brody, and Nick Ongaro. The Investment Committee generally meets weekly to discuss macro economic conditions, wealth planning issues and makes the final asset allocation and manager decisions.

Wetherby primarily invests for relatively long time horizons, often for a year or more. Wetherby's investment philosophy is founded on the premise that investors can build a strong, secure future by following a long-term investment program, and by diversifying their investments across multiple asset classes and money managers. However, market developments could cause Wetherby to sell securities more quickly.

Depending on a client's investment objectives, Wetherby may engage in option writing. The use of option writing poses additional risks that are discussed in detail with any clients who are considering the use of these investment vehicles.

Mutual funds are an investment vehicle and the investment strategies, objectives and types of securities utilized by mutual funds vary widely.

All mutual funds incur operating expenses in connection with the management of the fund. Mutual funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from mutual fund to mutual fund. In addition, mutual funds charge shareholders (individual investors in the funds) other types of fees such as a sales load or a transaction fee. These charges also vary widely among funds.

Wetherby generally invests its clients' assets in no-load mutual funds of which there are two types: no-loads and "true" no-loads. A so-called no-load mutual fund nevertheless is allowed to assess an annual charge of no more than 0.25% to cover the fund's marketing and distribution costs (an SEC "Rule 12b-1" fee). A "true" no-load mutual fund assesses no Rule 12b-1 fee.

Even though Wetherby invests in no-load funds, clients will still pay management fees and other “indirect” fees and expenses as charged by each mutual fund in which they are invested in addition to those fees charged by Wetherby.

Closed end funds and other pooled investments vehicles have different expense structures. Client is advised to consult with Wetherby regarding the various fee structures.

All investing involves a risk of loss and the investment strategy offered by Wetherby could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including but not limited to stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

## **Disciplinary Information**

Wetherby and its employees have not been involved in any legal or disciplinary events that would be material to a client’s evaluation of the company or its personnel.

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

Although National Advisors Holdings, Inc. (“NAH”) does not meet the definition of a “related person”, Wetherby has decided to disclose the following additional information:

Debra Wetherby, Allan Jacobi, and Christopher Hauswirth, all owners of Wetherby Asset Management, have a minority ownership interest in a savings and loan holding company, NAH, that has formed a federally chartered trust company, National Advisors Trust Company (“NATC”). NAH and NATC are regulated by the Office of Thrift Supervision. The trust company intends to provide a low-cost alternative to traditional trust and custodial service providers, and Wetherby intends to refer certain clients to NATC for trust and/or custodial services. Wetherby will only recommend NATC to its clients when it is in the best interest of its clients.

As previously noted, Wetherby acts as the advisor to the LRHF. Please refer to the next section for further details regarding such fund.

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

Wetherby has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Wetherby and its employees to act in clients’ best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and report on many types of personal securities transactions.

To avoid any potential conflicts of interest involving personal trades, Wetherby has adopted procedures, which include a formal code of ethics and insider trading policies and procedures. Wetherby's procedures require, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Wetherby above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the federal securities laws.

The policy also requires Employees to: 1) report personal securities transactions on at least a quarterly basis, and 2) provide Wetherby with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

Wetherby's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household.

Wetherby and its employees are permitted to buy and sell securities for their personal investments and to invest in mutual funds held by client accounts. In some cases, employees may buy or sell funds or securities that are also recommended to its clients. To govern such transactions, Wetherby has adopted an employee personal securities policy and procedure that outlines the timing and conditions under which employees may buy or sell funds or securities when such funds or securities are also held or traded by clients. The employee trading policy and procedure is designed to ensure that clients are not disadvantaged in any way by the personal securities transactions of its employees.

Employees may not "trade on" any knowledge he or she may have regarding the potential market impact of transactions entered on behalf of clients.

As previously noted, Wetherby acts as the advisor to LRHF. While Wetherby has recommended that certain clients invest in LRHF, it does not charge an advisory fee or performance-based fee to

the fund itself, although clients will pay their normal asset-based fees for any assets invested in LRHF, and LRHF will also be charged expenses related to the operations of the fund. Wetherby believes that not charging additional advisory and performance-based fees to the fund allows us to effectively mitigate any inherent conflicts of interest associated with our advisory fees.

From time to time, Wetherby may provide gifts or entertainment to a client and a client may provide gifts or entertainment to Wetherby. To ensure Wetherby employees are not receiving or giving excessive gifts or entertainment, Wetherby has adopted procedures to ensure gifts and entertainment valued over a certain amount are reported to the Chief Compliance Officer or in some cases pre-approved if the gift/entertainment is known in advance.

Wetherby holds client information in the strictest confidence and is mindful of the trust placed in it by clients. It is Wetherby's policy that no client information obtained by Wetherby is sold or made available to third parties for any reason except that:

- Third parties may be used by Wetherby to assist in the management or maintenance of client accounts (such as a custodian); and
- Client information may be released in accordance with applicable laws and regulations.

A copy of Wetherby's code of ethics is available upon request.

## **Brokerage Practices**

Brokers and dealers are selected based upon a number of factors, including: providing services of direct benefit to clients such as acting as custodian for the account, providing services that facilitate trading, performance evaluation and other information on securities, their inventory of securities and proven ability to execute, clear and settle transactions, their ability to commit capital, ability to report promptly and accurately, provide prompt and efficient delivery of securities, supply information on securities, including, but not limited to, written and oral research reports, economic and financial data and financial publications.

Wetherby has negotiated a favorable commission schedule for clients with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab" or "Schwab Institutional"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Wetherby generally recommends that clients establish brokerage accounts with Schwab. Wetherby does not share in commissions generated by client trades executed at Schwab. Wetherby has managed client assets held at Schwab for many years and has found Schwab to offer good services at competitive prices. Although Wetherby may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab or another custodian of the client's choice. Wetherby is independently owned and operated and not affiliated with Schwab.

Wetherby also utilizes the services of NATC, Pensco Trust Company ("Pensco") and/or other service providers that Wetherby feels best meet client needs.

Wetherby does not regularly invest directly in any individual publicly traded equity securities or fixed income instruments. Instead, Wetherby primarily recommends that its clients invest in

mutual funds, separate account managers and private investment vehicles. As such, Wetherby does not face the same issues relating to best execution that an adviser that regularly invests directly in equities and fixed income securities. While not facing the same issues as an advisor that invests directly in equities, Wetherby will periodically evaluate its primary broker-dealer / custodian to ensure that the overall relationship is satisfying certain key criteria, including:

- Reasonableness of transaction fees and charges
- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution and settlement
- Timeliness and accuracy of trade confirmations
- Client reporting capability
- Custody services provided
- Financial condition
- Business reputation

Wetherby may continue to hold a security in one client account while selling it for another client account. This occurs when client guidelines, risk tolerances, or tax considerations mandate a sale for a particular client. In some cases, consistent with client objectives and risk, Wetherby may purchase a security for one client while selling it for another.

Client trades are typically executed at different times at different prices due to the timing of Wealth Manager recommendations and/or reviews, certain security liquidity constraints, and specific client objectives, risk tolerances, or tax considerations.

While executing transactions for equities and closed end funds, Wetherby generally uses limit orders. For fixed income transactions, Wetherby generally obtains multiple bids or offers or may transfer the fixed income security to Wetherby's Fixed Income Separate Account Manager to execute the trades since the Separate Account Manager has greater access to fixed income dealers. The Separate Account Manager is not affiliated with Wetherby.

Mutual funds recommended to clients may impose a redemption charge or similar fee, and the overall cost structure of each fund is evaluated through Wetherby's research process and prior to recommending it as an investment option for clients

Wetherby receives certain products and services from Schwab, NATC, or other custodians/brokers free of charge or at discounted rates.

- Schwab provides Wetherby with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon Wetherby committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors

or would require a significantly higher minimum initial investment. For Wetherby client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

- Schwab Institutional, NATC, or other custodians/brokers also make available to Wetherby other products and services that benefit Wetherby but do not necessarily benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Wetherby's accounts, including accounts not maintained at Schwab, NATC, or other respective custodians/brokers who are providing said products and services. Schwab's products and services that assist Wetherby in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Wetherby's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.
- Schwab Institutional, NATC or other custodians/brokers also offer other services intended to help Wetherby manage and further develop its business enterprise. These services include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers.
- Schwab, NATC or other custodians/brokers can make available, arrange and/or pay third-party vendors for the types of services rendered to Wetherby. Schwab Institutional, NATC or other custodians/brokers may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Wetherby.
- Schwab Institutional, NATC or other custodian/brokers also provide other benefits such as access to and/or subsidies for hosted educational events or occasional business entertainment of Wetherby personnel.

Wetherby does not believe that clients whose accounts are held by Schwab, NATC or other custodian/brokers bear any additional costs in connection with Wetherby's receipt of the products and services. However, Wetherby would not receive these products and services if client accounts were not held in custody and traded by Schwab, NATC or the respective custodian/brokers providing said products and services. In evaluating whether to recommend that clients custody their assets at Schwab, NATC or other custodians/brokers, Wetherby may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### The Selection of Trading Counterparties

Wetherby can typically trade accounts held at Schwab using other broker/dealers. However, Schwab charges clients trade-away fees that Wetherby believes outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade Wetherby can solicit bids from several dealers

(through a singular trading platform) and then execute the trade with the dealer that offers sufficient liquidity and the most favorable pricing. Alternatively, Wetherby may transfer the fixed income security to a Fixed Income Separate Account manager to execute the trades since the Separate Account Manager has greater access to fixed income dealers. The Separate Account Manager is not affiliated with Wetherby.

For clients who elect to have their accounts held by firms other than Schwab, Wetherby's approach is generally to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing or to transfer the bond to a fixed income Separate Account Manager who has access to dealers that offer sufficient liquidity and favorable pricing. Certain clients have requested Wetherby to execute all of its securities transactions through one registered representative at a particular broker-dealer. Such clients are cautioned on the following:

When possible, Wetherby will attempt to negotiate a more favorable fee schedule, but Wetherby cannot guarantee that client-directed broker commissions, transaction fees and other charges will be as beneficial as those charged other clients not requesting directed brokerage arrangements.

The execution price, commissions paid, and the timing of trade execution may be negatively affected by directed brokerage arrangements.

#### Best Execution Reviews

On a periodic basis Wetherby evaluates the pricing and services offered by Schwab and other trading counterparties with those offered by other reputable firms. Wetherby has sought to make a good-faith determination that Schwab and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by Wetherby's receipt of products and services from Schwab. Historically Wetherby has concluded that Schwab is as good as, or better than, the other firms that have been considered. Wetherby would notify its clients if it were to determine that another firm offered better pricing and services than Schwab.

#### Aggregated Trades

Wetherby does not typically invest directly in any publicly traded equity securities, ETFs or closed-end funds. However, if an ETF or closed-end fund is a recommended investment in Wetherby's model, Wetherby is permitted (but not required) to aggregate client trades. To the extent that clients do participate in a bunched order, all clients in said order will receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. If an order is partially filled, clients will have their orders filled on a randomized basis; Wetherby will seek to complete any unfilled client orders on the next trading day. Employees are excluded from bunched trades until all client orders are filled.

### Client Referrals

Wetherby does not compensate Schwab or any other custodian or broker/dealer for referring client accounts.

### Trade Error Policy

Wetherby requires that its personnel carefully implement investment management decisions. Nevertheless, if a trade error occurs, it is Wetherby's policy that the error be corrected as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss.

Wetherby's policy prohibits its staff from requesting a broker-dealer to accept financial responsibility for a trade error caused by Wetherby's personnel in exchange for the promise of future compensation through commissions.

## **Review of Accounts**

Accounts under Wetherby's management are monitored on an ongoing basis by the Wealth Manager and the Chief Compliance Officer. The Wealth Manager reviews each account in detail on at least a quarterly basis, as well as in connection with each client meeting or more often as market conditions dictate. Wetherby recommends a yearly review with the client, either in person or by telephone. Clients may request quarterly or semi-annual reviews.

Clients typically receive account statements directly from their chosen custodian on at least a quarterly basis. Wetherby typically supplements these custodial statements with reports provided quarterly, during client meetings or as requested.

## **Client Referrals and Other Compensation**

Wetherby does not pay any compensation to another investment adviser in connection with that adviser's referral of a client to Wetherby.

Other than the previously described products and services that Wetherby receives from Schwab and other broker/custodians, Wetherby does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Wetherby can access many clients' accounts through its ability to debit advisory fees. For this reason, Wetherby is considered to have custody of client assets. Wetherby also has custody of client assets in the following cases:

- At the request of the client, a Wetherby Wealth Manager may serve as trustee
- A client has signed a Standing Letter of Authorization allowing Wetherby to move client's assets between certain like-registered accounts or to 3<sup>rd</sup> parties

- When a client grants Wetherby online access to her/his account(s) which allows Wetherby to independently change the primary address associated with the account holder or effect disbursements from the account

Account custodians generally send statements directly to the account owners on a monthly basis. In some cases, custodians may send statements on a less frequent basis (e.g. quarterly). Clients should carefully review these statements and should compare these statements to any account information provided by Wetherby.

## **Investment Discretion**

Wetherby has investment discretion over the majority clients' accounts. Clients grant Wetherby trading discretion through their signed Asset Management Agreement, which delegate discretionary authority that permits Wetherby to choose the:

1. Types of investments
2. The timing of any buys or sells
3. The broker-dealer to be used in the transaction
4. The commission rate to be paid to the broker-dealer that executes the transaction

Clients can place reasonable restrictions on Wetherby's investment discretion. For example, some clients have asked not to sell certain securities where the client has a particularly low tax basis.

## **Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Wetherby has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Wetherby receives will be treated in accordance with these policies and procedures.

Absent specific client instructions, Wetherby generally votes in line with 3rd party proxy research provided by Glass, Lewis and Co. As a result, Wetherby has attempted to mitigate potential conflicts of interests by using a 3<sup>rd</sup> party proxy research company. In the rare instance where Glass, Lewis and Co. does not provide a recommendation, Wetherby will generally cast an "abstain" vote for the respective ballot/initiative.

If "Class Action" documents are received by Wetherby, Wetherby will make reasonable efforts to forward such documents to the client to enable the client to file the "Class Action" at the client's discretion. The decision of whether to participate in the recovery or opt-out may be a legal one that Wetherby is not qualified to make for the client. As a courtesy to the client, Wetherby may assist the client in completing the "Class Action" documents; however, Wetherby will not typically file "Class Actions" on behalf of clients.

A copy of Wetherby's proxy voting policies and procedures, as well as specific information about how Wetherby has voted in the past, is available upon written request. Upon written request, clients can also take responsibility for voting their own proxies or can give Wetherby instructions about how to vote their respective shares.

## **Financial Information**

Wetherby has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.