

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

**Welch Hornsby, Inc.**

(formerly Welch Hornsby & Welch, Inc.)

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03/01/12

This brochure provides information about the qualifications and business practices of Welch Hornsby, Inc.. If you have any questions about the contents of this brochure, please contact us at (334) 272-1192 or [ewelch@welchhornsby.com](mailto:ewelch@welchhornsby.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Welch Hornsby, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 104664.

## **Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. The initial revised format Firm Brochure, was dated 03/01/2011, was our new disclosure document prepared according to the SEC's new requirements and rules. This document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Effective August 17, 2011 the name of our firm was changed from Welch Hornsby & Welch, Inc. to Welch Hornsby, Inc. This name change reflects the "rebranding program" that we have undertaken during 2011 to update the firm's image and a new enhanced marketing program.

This is a name change only and the corporation's Articles of Incorporation and By-Laws are unchanged. All existing contracts and other legal arrangements are unaffected by this change.

This Brochure has been updated effective March 1, 2012 with minor changes. There are no new material changes in this update.

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## **Item 4    Advisory Business**

Welch Hornsby, Inc. ("Welch Hornsby") is a SEC-registered investment adviser with its principal place of business located in Alabama. Welch Hornsby, Inc. began conducting business in 1988.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Edward Virgil Welch Jr, CEO & President
- John Steven Hornsby, Chairman

In addition, the firm has twelve employee shareholders.

Welch Hornsby offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY AND PORTFOLIO MANAGEMENT SERVICES**

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

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Once the client's portfolio has been established, we review the portfolio, at least, quarterly, and if necessary, rebalance the portfolio on an annual basis, based on the client's individual needs.

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

- Exchange-listed securities
- Securities traded over-the-counter
- Mutual fund shares
- Exchange Traded Funds (ETFs)

Clients' investments are in two types of products. Separate accounts are maintained for each type of investment.

- Mutual Funds and ETFs—Investments in mutual funds and ETFs are administered by Welch Hornsby.
- Individual Stocks and/or Bonds—accounts that are invested in other than mutual funds and ETFs are managed and administered by Separate Account Managers.
- Self-Directed Accounts—investments in these accounts are managed and administered by the client. Welch Hornsby may, however, maintain transactional data for the client and prepare reports for the client at no charge.

Clients with smaller amounts of assets under management will generally have only accounts with mutual fund and/or ETF investments.

Clients with larger amounts of assets under management will utilize Separate Account Managers or in most cases a mixture of accounts managed by Separate Account Managers and accounts invested in mutual funds and/or ETFs.

For the most part Welch Hornsby seldom makes trades for the client in other than mutual funds and ETFs. Most trades in other type products are made by separate account managers or the clients themselves.

WH&W does not directly engage in any of the following activities:

- Use of margin accounts or leverage
- Short selling
- Hedging
- Proprietary trading
- Commodity trading

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

## **PENSION CONSULTING SERVICES**

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

*Investment Policy Statement Preparation (hereinafter referred to as "IPS"):*

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs

and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

#### *Selection of Investment Vehicles:*

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds and ETFs (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

#### *Monitoring of Investment Performance:*

We monitor client investments continually, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

#### *Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide quarterly educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

### **SELECTION AND MONITORING OF THIRD-PARTY MONEY MANAGERS**

We also offer advisory management services to our clients through our Selection and Monitoring of Third-Party Money Managers programs (hereinafter, "Separate Account Managers").

Our firm provides the client with an asset allocation strategy developed through personal discussions in which goals and objectives based on the client's particular circumstances are established. This asset allocation strategy is drafted into the client's personal investment policy statement ("Portfolio Profile").

Based on the client's individual circumstances and needs (as exhibited in the client's Portfolio Profile) we will then perform management searches of various unaffiliated registered investment advisers to identify which registered investment adviser's portfolio management style is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Clients should refer to the selected registered investment adviser's Firm Brochure or other disclosure document for a full description of the services offered. We are available to meet with clients on a regular basis, or as determined by the client, to review the account.

Once we determine the most suitable investment adviser(s) (Separate Account Manager) for the client, we provide the selected adviser(s) with the client's Portfolio Profile. The adviser(s) then creates and manages the client's portfolio based on the client's individual needs as exhibited in the Portfolio Profile.

We monitor the performance of the selected registered investment adviser(s) (Separate Account Manager). If we determine that a particular selected registered investment adviser(s) is not providing sufficient management services to the client, or is not managing the client's portfolio in a manner consistent with the client's Portfolio Profile, we may suggest that the client contract with a different registered investment adviser and/or program sponsor. Under this scenario, our firm assists the client in selecting a new registered investment adviser and/or program. However, any move to a new registered investment adviser and/or program is solely at the discretion of the client.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2011, we were actively managing \$1,385,575,844 of clients' assets on a discretionary basis.

In addition, we have \$1,673,454,016 of assets under advisement not under management. So that the total amount of assets under management and under advisement were \$3,059,029,859 at December 31, 2011 for 411 client relationships.

Included in the total assets under management and supervision as of December 31, 2011, our clients had 138 accounts with eleven Separate Account Managers as a part of their investment portfolios. And as of that date there were a total of \$363,332,533 of client's assets under management with these third party Separate Account Managers.

As of December 31, 2011, Welch Hornsby has clients in eleven (11) States.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY AND PORTFOLIO MANAGEMENT SERVICES FEES**

The primary business of Welch Hornsby is to assist clients with investment policy and guideline formulation, traditional asset allocation, investment manager/mutual fund and ETF searches, and performance evaluation. Welch Hornsby is compensated for such assistance through fees charged to an advisory client as a percentage of the assets under the supervision and management of Welch Hornsby. Fees are paid quarterly, in advance, based on the value of the client's account as of the last business day of the previous quarter. The annualized fee for Investment Supervisory and Management Services will be charged as a percentage of assets under management and/or advisement according to the following schedule:

- 0.90% on first \$2,000,000
- 0.65% on next \$3,000,000
- 0.30% on next \$5,000,000
- 0.15% on next \$10,000,000
- 0.05% on next \$80,000,000

Assets over \$100,000,000 are subject to a negotiated fee schedule.

Welch Hornsby imposes a minimum fee of \$10,000 for clients in the state of Alabama and \$20,000 for clients out of the state of Alabama as a condition for starting new accounts after March 1, 2003. This account size may be negotiable under certain circumstances. Welch Hornsby may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

**Limited Negotiability of Advisory Fees:** Although Welch Hornsby has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between Welch Hornsby and each client.

Discounts, not generally available to our advisory clients, may be offered to eleemosynary clients, family members and friends of associated persons of our firm and clients with equity exposure of less than thirty percent.

## **PENSION CONSULTING FEES**

Welch Hornsby, additionally, provides consulting services to participant directed 401 (k) Plans which include independent searches and ongoing performance measurement of mutual funds and ETFs, facilitating the Plan's investment options as well as policy and guideline formulation. Our fees for Pension Consulting Services for participant directed 401(k) Plans are based on a percentage of assets under advisement, according to the following schedule:

0.10% on first \$25,000,000  
0.075% on next \$50,000,000  
0.01% over \$75,000,000

Fees are paid quarterly, in advance, based on the value of the client's account as of the last business day of the previous quarter. In some circumstances advisory fees may be waived or negotiated.

A total minimum fee of \$ 25,000 is required. This minimum fee may prevent Welch Hornsby from providing services to very small ERISA plans.

## **CONSULTING SERVICES**

WH&W, also, offers consulting services to 401 (k) Plans which include independent analysis of RFP responses from service providers. The standard fee schedule for such services is as follows:

\$5,000 per RFP response

Minimum Fee \$35,000



## **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS FEES**

Welch Hornsby fee for this service does not include the independent investment adviser's (Separate Account Managers) fee for that entity's advisory/management services. The independent investment adviser's management fee is disclosed in the independent investment adviser's Firm Brochure or other disclosure document.

The assets values of accounts managed by Separate Account Managers are included in all assets under management/advisement by Welch Hornsby for calculation of fees.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund and ETF Fees:*** All fees paid to Welch Hornsby for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or EFTs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs and Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with

which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Welch Hornsby's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

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

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Furthermore, if we had clients who paid performance-based fees, we would have an incentive to favor accounts that do pay such fees because compensation we would receive from these clients is more directly tied to the performance of their accounts.

Welch Hornsby does not charge performance-based fees.

## **Item 7 Types of Clients**

Welch Hornsby provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

- State or municipal government entities
- Other

As previously disclosed above in the section for Fees and Compensation, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

WH&W may be engaged by a client to perform a one-time manager search not involving any ongoing services. The fee charged for such a service would be negotiated on a case by case basis. Should any fees be paid in advance, any prepaid, unearned fees shall be refunded to the client upon termination.

Welch Hornsby serves as the fund and investment manager for the WH&W Diversified Global Conduit Fund, LLC which is a Delaware limited liability company. The Fund is a series fund providing interest in series (the Series). Taxable investors receive Series A Interest and Tax-Exempt investors receive Series B Interest in the Fund. This WH&W Fund is described further in Other Financial Industry Activities and Affiliations.

Welch Hornsby, also, serves as manager and investment advisor of the WH&W Private Market Investment Fund I, LLC which is a Delaware limited liability company. This WH&W Fund is described further in Other Financial Industry Activities and Affiliations.

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

### **METHODS OF ANALYSIS**

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

***Asset Allocation.*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of capital appreciation, fixed income, and cash strategies suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of capital appreciation, fixed income, and cash investments will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has

demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We maintain an approved list of mutual funds and ETFs that we recommend to our clients. The list has multiple mutual funds and ETFs that fit each of the investment components of the asset allocations. We monitor the mutual funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a mutual fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Third-Party Money Manager Analysis.*** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

For the assistance in the selection of professional money managers, the method and selection of such money managers will be based upon investment strategy, performance of the managers as determined from several authoritative sources, publications, and upon in-person and telephone interviews and conferences with the money managers and/or their representatives.

Other main sources of information used to select professional money managers include databases purchased from various vendors.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

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

## **INVESTMENT STRATEGIES**

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

Welch Hornsby has established a straight forward framework shaping a diligently thought out investment plan that emphasizes both return enhancing and risk reducing activities throughout the investment process based on definitive, client specific needs as determined during the asset allocation and statement of objectives process.

Recommendations for investments are a mixture of 1) cash and short-term investments to meet short-term liquidity needs; 2) lower volatility investments; and 3) a capital appreciation component targeting higher returns.

For each asset class multiple securities are recommended to provide a diversified investment portfolio.

Clients with smaller amounts of assets under management will generally have only accounts with mutual fund and/or ETF investments.

Clients with larger amounts of assets under management may utilize Separate Account Managers or in most cases a mixture of accounts managed by Separate Account Managers and accounts invested in mutual funds and/or ETFs.

In 2008 WH&W added a product offered by the firm. A conduit fund to enable clients, that are accredited investors and qualified clients to buy a share of a fund that is invested in mutual funds, ETFs, private investment partnerships and/or funds of separate account managers who generally have high minimums that would ordinarily preclude smaller investors from participating in the fund.

Welch Hornsby serves as Fund Manager and investment manager of the WH&W Diversified Global Conduit Fund, LLC. This Fund's investment objectives are to seek long-term capital appreciation by investing among select asset managers employing a variety of global and/or diversifying investment strategies.

In January 2011 Welch Hornsby formed the WH&W Private Market Investment Fund I, LLC (the Private Market Fund") to provide clients of Welch Hornsby, that are accredited investors and qualified clients, and other qualified investors with the opportunity to invest a portion of their portfolio in a single fund comprised of a variety of private market investments. Welch Hornsby serves as Fund Manager of this Fund.

The Private Market Fund's investment objective is to seek long-term capital appreciation in excess of broad public markets by offering individual investors access to private investment strategies.

Welch Hornsby, as Fund Manager, has selected Fidelis Capital, LLC to be the Investment Sub-Advisor to manage the investment process and investment portfolio of the Private Market Fund for a variety of reasons, including the Fund Manager's longstanding knowledge

of and relationship with the principals of the Investment Sub-Advisor. A primary aspect of the Fund's investment strategy will be for the Investment Sub-Advisor to identify investment opportunities through its broad network of relationships in the venture capital and private equity investment community. The principals of the Investment Sub-Advisor have significant experience in the private investment sector and have relationships with venture capital and private equity professionals throughout the southeastern United States and beyond.

**Risk Factors.** The purchase of Units in the Private Market Fund is a speculative investment and entails significant risk. Such an investment provides for limited liquidity and is suitable only for persons who can afford to lose all or a substantial portion of their investment. There can be no assurance of the success or profitability of the investment strategies of the Fund.

**Risk of Loss For All Forms of Investments.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9     Disciplinary Information**

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

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

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

Our firm and our related persons are engaged in other financial industry activities and have other industry affiliations as follows:

Welch Hornsby serves as manager and investment manager of the WH&W Diversified Global Conduit Fund, LLC ("Conduit Fund") identified in Types of Clients above. This Fund is a Delaware limited liability company and provides series interest in the Conduit Fund. Taxable investors receive Series A Interest and Tax-exempt investors receive Series B Interest in the Conduit Fund. The Conduit Fund's investment objectives are to seek long-term capital appreciation by investing among select asset managers employing a variety of global and/or diversifying investment strategies.

Welch Hornsby, also, serves as manager and investment advisor of the WH&W Private Market Investment Fund I, LLC ("Private Market Fund") identified in Types of Clients above. This Fund is a Delaware limited liability company. The Private Market Fund's investment objective is to seek long-term capital appreciation in excess of broad public markets by offering individual investors access to private investment strategies which might include such types of investments as: venture capital, growth equity, leveraged buyouts, mezzanine capital and real assets.

Fidelis Capital, LLC serves as the investment sub-advisor to the Private Market Fund and in such capacity is responsible for the investment of the Fund's assets, which includes the authority to allocate the Fund's assets to specific investments. Clients should refer to the

Fidelis Capital, LLC's Firm Brochure or other disclosure document for a full description of the services offered by them.

The WH&W Funds are offered to and may be recommended to existing Welch Hornsby advisory clients or other prospective investors who must meet the WH&W Fund's requirements of being an accredited investor and a qualified client. Minimum investment in the WH&W Funds is \$250,000.

For investors in the WH&W Funds who are advisory clients of Welch Hornsby, Welch Hornsby will not charge any additional management fees for managing the investor's interest in the WH&W Funds other than the firm's normal client advisory fees paid by the client in the ordinary course of the advisory relationship.

For WH&W Fund investors who are not advisory clients, Welch Hornsby will charge those investors its standard annual management fee based upon Welch Hornsby's current fee schedule for those investors' assets invested in the WH&W Funds.

Additional information about the WH&W Funds is available in the Confidential Private Offering Memorandum for each of the funds.

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

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

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

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

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [ewelch@welchhornsby.com](mailto:ewelch@welchhornsby.com), or by calling us at (334) 272-1192.

Welch Hornsby and individuals associated with our firm are prohibited from engaging in principal transactions.

Welch Hornsby and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Welch Hornsby is the Managing Member to the WH&W Diversified Global Conduit Fund, LLC and the WH&W Private Market Investment Fund I, LLC (the Funds). As the Fund Manager, Welch Hornsby has primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the Funds. Welch Hornsby and our members, officers and employees will devote to the Funds as much time as we deem necessary and appropriate to manage the Funds' business. Welch Hornsby and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Funds and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Funds, but could be allocated between the business of the Funds and other of our business activities and those of our affiliates.

Investments in the Funds may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the Funds are not charged any additional advisory fees other than the the firms normal advisory fee.

The Funds are not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. Welch Hornsby manages the Funds on a discretionary basis in accordance with the terms and conditions of the Funds' offering and organizational documents.

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

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

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



accounts.

We do not aggregate our employee trades with client transactions.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provide our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer and its CEO/President.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

Welch Hornsby may recommend brokers to its clients provided that such recommendation is consistent with our firm's fiduciary duty to the client. However, Welch Hornsby does not

receive, directly or indirectly, products or services in exchange for recommending a particular broker to a client.

Welch Hornsby will only execute through the registered broker or brokers designated by the Client. The Client has the sole responsibility for selecting the broker and for negotiating commission rates and other transaction costs with the broker. Client agrees that Welch Hornsby is not expected to negotiate any broker's commissions or other transactions costs with any broker designated by Client, either on an overall or transaction by transaction basis. Welch Hornsby may, however, suggest one of several broker dealers. Our clients must evaluate these brokers before opening an account. The factors considered by Welch Hornsby when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. The Client is under no obligation to use a broker dealer recommended by Welch Hornsby and agrees that Welch Hornsby shall have no liability to Client with respect to any act or omission of any broker dealer including, but not limited to, any broker dealer suggested by Welch Hornsby. As Welch Hornsby does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct Welch Hornsby as to the broker-dealer to be used. In directing the use of a particular broker or dealer, it should be understood that Welch Hornsby will not have the authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

If the Account is maintained on behalf of a plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA") or similar government regulation, Client represents that the broker designated by Client is capable of providing best execution for the Account's brokerage transactions, and that the commission rates that Client negotiated are reasonable in relation to the brokerage and other services received by the applicable retirement or other benefit plan. Client agrees that it is Client's, not Welch Hornsby's responsibility to monitor the services provided by the broker designated by Client to assure that the applicable retirement or other benefit plan continues to receive best execution and pay reasonable commissions. Client represents that the use of the broker designated by Client is for the exclusive benefit of the applicable retirement or other benefit plan participants.

Welch Hornsby may recommend that clients establish brokerage accounts with the Schwab Adviser Services division of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, Member SIPC, to maintain custody of clients assets and to effect trades for their accounts. Welch Hornsby is independently owned and operated and not affiliated with Schwab. Schwab through its Adviser Services Program provides Welch Hornsby 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, and are not otherwise contingent upon Welch Hornsby committing to Schwab any specific amount of business (assets in custody or trading). Schwab services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

For our 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 also makes available to our firm other products and services that benefit Welch Hornsby but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide electronic and hard copy 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 our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

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

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management, information technology and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Welch Hornsby. Schwab Adviser Services 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 our firm. Schwab Adviser Services may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we 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 we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Welch Hornsby, also receives electronic communications of client order entry and account information from Bear Stearns Securities, Compass Bank, Sanford C. Bernstein & Company, LLC, The Goldman Sachs Group, Inc., Merrill Lynch & Company, Inc., Morgan Keegan Company, Inc., National Advisors Trust Company or State Street Capital Guardian without

charge for the firm's clients which custody their accounts and direct account brokerage to their accounts. This service does not depend upon the number or size of transactions directed to these companies nor the number of clients doing business with them.

When appropriate to the needs of the client, Welch Hornsby may recommend that clients in need of trust and custodial services use National Advisors Trust Company. No referral fees are received for this recommendation. However, clients should be aware that Welch Hornsby has an ownership interest (of less than 5%) in National Advisors Holdings, Inc., the parent company of National Advisors Trust Company but Welch Hornsby currently does not receive any income from the investment. National Advisors Trust Company only provides trust services upon the recommendations and referrals of clients of the investment advisor/financial planning firms that own shares of National Advisors Holdings, Inc.'s common stock. Accordingly, the purchase of the stock of National Advisors Holdings was solely to gain access to National Advisors Trust Company's trust services for Welch Hornsby's clients.

No client is obligated to use Schwab, Bear Stearns Securities, Compass Bank, Sanford C. Bernstein & Company, Goldman Sachs, Merrill Lynch, Morgan Keegan Company, National Advisors Trust Company or State Street Capital Guardian for any custody, brokerage or trust service.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY AND PORTFOLIO MANAGEMENT SERVICES**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed, at least, quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Portfolio securities and reports are reviewed on an on-going basis by the investment professional responsible for the client relationship. The investment professionals for Welch Hornsby are : Phillip C. Anderson, Robin A. Godwin, Oliver L. Haynes, Donald F. Lutomski, John P. Maloney, Brian S. Mitchell and James W. Underwood. In addition, Edward V. Welch, Jr., Principal, John S. Hornsby, Principal, and James W. Underwood, Chief Portfolio Strategist and Research Analyst perform supervisory reviews of reports on a periodic basis.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, Welch Hornsby will provide monthly and/or quarterly reports summarizing account performance, balances and holdings.

### **PENSION CONSULTING SERVICES**

**REVIEWS:** Welch Hornsby will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan.

Welch Hornsby will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: Phillip C. Anderson, Investment Adviser Representative.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

### **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS**

**REVIEWS:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser (Separate Account Managers).

Welch Hornsby will provide reviews on a quarterly basis or as contracted for at the inception of the advisory relationship.

**SELECTION and MONITORING:** Welch Hornsby has an approved recommended list of third-party ("Separate Account Managers") that are recommended to clients. Beau K. Williams, Director of Research and Chairman of the Research Committee and member of the Investment Committee with the Research Committee are responsible for the selection and monitoring of Separate Account Managers. Members of the Welch Hornsby Research Committee are: James W. Underwood, Chief Portfolio Strategist, Beau K. Williams, Director of Research, John P. Maloney, Consultant, John S. Hornsby, Principal/Founder, and Edward V. Welch, Jr., Principal/Founder.

While Welch Hornsby recommends Separate Account Managers from its approved recommended list, each client contracts directly with the Separate Account Manager. These client accounts should refer to the Separate Account Manager's Firm Brochure (or other disclosure document used in lieu of the brochure) and the separate contract for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Portfolio accounts for clients that are managed by a Separate Account Manager are reviewed on an on-going basis by the Welch Hornsby investment professional responsible for the client relationship. The investment professionals for Welch Hornsby are: Phillip C. Anderson, Robin A. Godwin, Oliver L. Haynes, Donald F. Lutomski, John P. Maloney, Brian S. Mitchell and James W. Underwood. In addition, Edward V. Welch, Jr., Principal, John S. Hornsby, Principal, and James W. Underwood, Chief Portfolio Strategist and Research Analyst perform supervisory reviews of reports on a periodic basis.

**REPORTS:** These clients should refer to the independent registered investment adviser's (Separate Account Manager's) Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser.

Welch Hornsby typically provides reports in addition to those provided by the independent registered investment adviser selected to manage the client's assets. These reports are

included in Welch Hornsby's monthly and/or quarterly reports to the client.

## **Item 14 Client Referrals and Other Compensation**

### **CLIENT REFERRALS**

Our firm does not pay referral fees to independent persons or firms for introducing clients to us.

It is Welch Hornsby's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that with client written authorization our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account invoices directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these invoices to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

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

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

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

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

While Welch Hornsby has discretionary authority in most of its client's accounts, such authority will rarely be exercised. However, Welch Hornsby may exercise such discretionary authority in the interim period in which assets have come under the advisement of Welch Hornsby and a professional money manager has not yet been hired. In addition, in the infrequent circumstance in which a client and money manager have terminated their relationship and a new money manager has not yet been hired, Welch Hornsby, in an effort to adhere to the client's written investment policy, may exercise discretionary authority in the client's account, if the client is not available to offer his consent. Under no circumstance will Welch Hornsby act as custodian or take possession of any client assets except as relates to its duties as Manager of the WH&W Diversified Global Conduit Fund, LLC. and the WH&W Private Market Investment Fund I, LLC.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

Welch Hornsby has no financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

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