

# Wealthquest Corporation

SEC File Number: 801 – 67079

## Wealthquest Corporation

### Brochure

### Dated 03/25/2013

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This brochure provides information about the qualifications and business practices of Wealthquest Corporation (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (513) 530-9700 or [info@wqcorp.com](mailto:info@wqcorp.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 Wealthquest Corporation also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Wealthquest Corporation as a “registered investment advisor” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2        Material Changes**

This item provides information regarding specific material changes and a summary of such changes made to the Disclosure Brochure since the last annual update of the brochure which occurred on March 19, 2012

- No material changes to this Brochure since March 19, 2012

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#### Item 4      **Advisory Business**

- A. Wealthquest Corporation (the “Registrant”) is a corporation formed on July 13, 2006 in the State of Ohio. The Registrant became registered as an Investment Adviser Firm in August 2006. The Registrant is principally owned by Wade K. Daniel and James M. Lenhoff, the Registrant’s CEO and President, respectively.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services. The Registrant **does not** hold itself out as providing financial planning, estate planning or accounting services on a stand-alone basis. Any financial planning and related consulting services that are performed by the Registrant for its clients are generally ancillary to its investment advisory services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a fee basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management as follows. At each threshold the fee is reduced for the entire account, not just the portion that exceeds the threshold.

<b>Simple, Clear Pricing for the Entire Portfolio: No Blended Rates</b>
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<b>Market Value of Portfolio Under Management</b>	<b>Annual Fee Percentage</b>
\$500,001 up to \$1,000,000	1.00%
\$1,000,001 up to \$2,000,000	0.90%
\$2,000,001 up to \$3,000,000	0.80%
\$3,000,001 up to \$5,000,000	0.75%
\$5,000,001 up to \$7,000,000	0.70%
\$7,000,001 up to \$10,000,000	0.65%
\$10,000,001 and above	0.60%

#### **Additional Billing Details**

Vanguard variable annuities and portfolios in the All Bond model will be charged an annual advisory fee of 0.75%, however, in the event that a client has assets invested in the All Bond Model that qualify him/her/it for a lower fee as set forth above, the client shall be entitled to the lower fee. Municipal bond portfolios and Conservative Bond model portfolios will be charged 0.50%. For employer sponsored retirement plans, WQC will open either a TDA, SI or similarly satisfactory custodial account(s) on behalf of the client. Billing for Employer sponsored retirement plans will be handled on a case-by-case basis.

Clients with less than \$200,000 in assets under management will be charged an annual investment advisory fee equal to 1.40% of the market value of their managed portfolio. Clients with more than \$200,000 but less than \$500,000 in assets under management will be charged an annual investment advisory fee equal to 1.20% of the market value of their managed portfolio.

Family member accounts will be aggregated for billing purposes, allowing family members to reach discounted fees collectively.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

## **MISCELLANEOUS**

**Limited Consulting/Implementation Services.** The Registrant does not hold itself out as providing financial planning, estate planning or accounting services separately from its primary service of investment management. To the **extent specifically requested by the client**, the Registrant may provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, retirement planning, tax planning, insurance, etc. Registrant shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, nor any of its representatives, serves as an attorney, and no portion of the Registrant's services should be construed as the same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agent, etc.), including certain representatives of the Registrant in their individual licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Tax Return Assistance.** Tax return assistance includes: 1.) Personal Federal tax return preparation\* 2.) Estimated tax payment calculations 3.) Payment vouchers. Alternatively, in lieu of this tax return preparation, WQC will make payment, of up to \$250, to an accountant chosen by the Client or the Client may choose to receive a free copy of Turbo Tax software. Clients below the stated account minimum can also receive a free copy of Turbo Tax software or choose to have WQC prepare their tax returns for a separate fee. WQC shall not be required to verify the accuracy of any tax-related data received from the client. Advisor will prepare the tax filings based upon the data provided. WQC does not assume responsibility for the accuracy of such data, timely payments, or filings.

Unless authorized by law or with Client consent, WQC cannot use Client tax return information for purposes other than the preparation and filing of Client tax return. By signing the Financial Planning Agreement, Client consents to the use by WQC of any and all tax return information contained in the Client federal income tax returns for the purpose of providing other non-tax services as agreed upon in the Investment Advisory Agreement and/or Financial Planning Agreement. The tax information may not be disclosed or used by WQC for any purpose other than that permitted by this consent

document. WQC may not make our Investment Advisory services conditional to Client signing the Financial Planning Agreement. If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484 or by email at [complaints@tigta.treas.gov](mailto:complaints@tigta.treas.gov).

\*State, local, and business tax returns will be handled on a case by case basis and may result in an additional fee.

**Structured Products.** The Registrant may periodically recommend structured product investments to clients. Structured investment products are generally underwritten by major investment banks and typically linked to either individual equity market indexes or baskets of indexes and may offer some of the following features: full or partial principal-protection, enhanced upside participation, caps on the maximum returns, knock-out barrier notes and/or absolute return characteristics. Most structured products will be unsecured debt of the issuing investment bank and will carry the credit risk of that company, although occasionally they may be principal-protected FDIC-insured notes. Of course, like all other investments, there can be no guarantee that the performance of such products will be profitable or achieve any specific performance level during up and/or down markets.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of March 22, 2013, the Registrant had \$522,331,256 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services on a fee basis.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary investment advisory services on a fee basis, the Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management as follows. At each threshold the fee is reduced for the entire account, not just the portion that exceeds the threshold.

#### Simple, Clear Pricing for the Entire Portfolio: No Blended Rates

Market Value of Portfolio Under Management	Annual Fee Percentage
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### Additional Billing Details

Vanguard variable annuities and portfolios in the All Bond model will be charged an annual advisory fee of 0.75%, however, in the event that a client has assets invested in the All Bond Model that qualify him/her/it for a lower fee as set forth above, the client shall be entitled to the lower fee. Municipal bond portfolios and Conservative Bond model portfolios will be charged 0.50%. For employer sponsored retirement plans, WQC will open either a TDA, SI or similarly satisfactory custodial account(s) on behalf of the client. Billing for Employer sponsored retirement plans will be handled on a case-by-case basis.

Clients with less than \$200,000 in assets under management will be charged an annual investment advisory fee equal to 1.40% of the market value of their managed portfolio. Clients with more than \$200,000 but less than \$500,000 in assets under management will be charged an annual investment advisory fee equal to 1.20% of the market value of their managed portfolio.

Family member accounts will be aggregated for billing purposes, allowing family members to reach discounted fees collectively.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the

Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that TD Ameritrade ("TD Ameritrade") or Charles Schwab and Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as TD Ameritrade and Schwab charge brokerage commissions and/or transaction fees for affecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum asset level of \$500,000 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination and by request, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7      Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. The Registrant generally requires a minimum asset level of \$500,000 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset level based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).



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

- A. Currently, the Registrant primarily allocates client investment assets among various mutual funds and exchange traded funds, on a discretionary basis in accordance with the client's designated investment objective(s).
- B. The Registrant may utilize the following methods of security analysis:
- Fundamental –(analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- C. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend – short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. (See discussion below).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential **conflict of interest** whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

## **Item 9        Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Insurance Agency/Agents:** Registrant affiliated company, Wealthquest Insurance Advisors, LLC, is a licensed insurance agency. In addition, certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant's representatives to purchase insurance products on a commission basis.
- **Conflict of Interest:** The recommendation by Registrant's representatives that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.
- In accordance with Section 204A of the Investment Advisors Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.
- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the

owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however, that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *TD Ameritrade* and/or *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *TD Ameritrade* and/or *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant’s clients shall comply with the Registrant’s duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including the value of research provided, execution capability, commission rates, and

responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

I. TD Ameritrade Institutional Customer Program

Registrant participates in *TD Ameritrade's* Institutional Customer Program (the "*Program*") and Registrant may recommend *TD Ameritrade* to clients for custody and brokerage services. There is no direct link between Registrant's participation in the *Program* and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the *Program* that are not typically available to *TD Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing research, technology, and practice management products or services provided to Registrant by third party vendors. *TD Ameritrade* may also have paid for business consulting and professional services received by Registrant. Some of the products and services made available by *TD Ameritrade* through the *Program* may benefit Registrant but may not benefit its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Registrant manage and further develop its business enterprise. *TD Ameritrade* may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Registrant's representatives to attend conferences or meetings relating to the *Program* or to *TD Ameritrade's* advisor custody and brokerage services generally. The benefits received by Registrant or its representatives through participation in the *Program* do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of *TD Ameritrade* for custody and brokerage services.

Advisor participates in the institutional advisor program (the "*Program*") offered by *TD Ameritrade Institutional*. *TD Ameritrade Institutional* is a division of *TD Ameritrade Inc.*, member FINRA/SIPC/NFA ("*TD Ameritrade*"), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from *TD Ameritrade* through its participation in the *Program*.

**The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

Registrant may receive client referrals from *TD Ameritrade* through its participation in *TD Ameritrade AdvisorDirect* ("AdvisorDirect"). In addition to meeting the minimum eligibility criteria for participation in *AdvisorDirect*, Registrant may have been selected to participate in *AdvisorDirect* based on the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for, client accounts maintained with *TD Ameritrade*. *TD Ameritrade* is a discount broker-dealer independent of and unaffiliated with Registrant and there is no employee or agency relationship between them. *TD Ameritrade* has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. *TD Ameritrade* does not supervise Registrant and has no responsibility for Registrant's management of client portfolios or Registrant's other advice or services. Registrant pays *TD Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Registrant ("Solicitation Fee"). Registrant will also pay *TD Ameritrade* the Solicitation Fee on any advisory fees received by Registrant from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Registrant on the recommendation of such referred client. Registrant will not charge clients referred through *AdvisorDirect* any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *TD Ameritrade* to its clients. For information regarding additional or other fees paid directly or indirectly to *TD Ameritrade*, please refer to the *TD Ameritrade AdvisorDirect* Disclosure and Acknowledgement Form.

Registrant's participation in *AdvisorDirect* raises potential conflicts of interest. *TD Ameritrade* will most likely refer clients through *AdvisorDirect* to investment advisors that encourage their clients to custody their assets at *TD Ameritrade* and whose client accounts are profitable to *TD Ameritrade*. Consequently, in order to obtain client referrals from *TD Ameritrade*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *TD Ameritrade* and to place transactions for client accounts with *TD Ameritrade*. In addition, Registrant has agreed not to solicit clients referred to it through *AdvisorDirect* to transfer their accounts from *TD Ameritrade* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Registrant's participation in *AdvisorDirect* does not diminish its duty to seek best execution of trades for client accounts.

In addition, Registrant may receive additional benefits from participation in *AdvisorDirect*. There is no direct link between Registrant's participation in the program and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. These benefits include the receipt of duplicate client statements; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities

transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. The benefits received by Registrant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. As part of its fiduciary duties to clients, Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives creates a conflict of interest.

**The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

#### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *TD Ameritrade* and/or *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *TD Ameritrade* and/or *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *TD Ameritrade* and/or *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Registrant may receive client referrals from *TD Ameritrade* through its participation in *AdvisorDirect*.

**The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives



and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

- B. The Registrant **may** conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *TD Ameritrade and/or Schwab*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *TD Ameritrade and/or Schwab*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *TD Ameritrade and/or Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *TD Ameritrade and/or Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant **may** pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisors Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## Item 15      Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## Item 16      Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## Item 17      Voting Client Securities

- A. Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant

may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Investment Advisors Act of 1940. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Stephen P. King.

- B. As set forth in Item 17.A above, the Registrant votes client proxies.

## **Item 18      Financial Information**

- A. The Registrant does not solicit client fees six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**