

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

BROCHURE Form ADV Part 2A

This Brochure offers information about the qualifications, business practices, and fiduciary responsibilities of Wills Financial Group, Inc. (Wills Financial Group, WFG, we, us, our) as required by the United States Securities and Exchange Commission (SEC) amendments to Part II of Form ADV, now titled Part 2A (brochure). This Brochure is designed to provide new, prospective, and existing clients with a clearly written narrative and disclosure of our business practices, conflicts of interest, and background of our company and its employees. Questions about the contents of this Brochure can be raised with us at 804-330-3100, or info@willsfg.com. Please note that the information in this Brochure has not been approved or verified by either the SEC or any state securities authority. Our use of the term “registered investment advisor” does not imply a certain level of skill or training. Additional information about WFG is available on the SEC’s website at www.adviserinfo.sec.gov.

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Item 2 – Material Changes

We are required to promptly notify you of any material changes in the operations and policies which have occurred since our prior Brochure filing and also to provide you with a summary of specific material changes. We have no material changes to report since our last annual amendment, filed March 21, 2013. Should it be necessary, this Item 2, “Material Changes,” will discuss only those specific material changes that are made to this Brochure and will include a summary of those changes. We will ensure rapid delivery of this summary of the changes to this and all subsequent Brochures within 120 days of the close of our fiscal year.

In the past we have offered or delivered information about our qualifications and business practices to clients on an annual basis. In response to new SEC rules, we will either provide annually a summary of any material changes or offer to send the Brochure which would contain this summary. Furthermore, we will promptly provide clients with other interim disclosures about any material changes as they occur.

Item 2A – Summary of Material Changes for 2013

WFG has no material changes to report with their annual amendment for 2013, as filed 20 March 2014.

Item 2B – Summary of Non-Material Changes for 2013

Our associate, Matt Abatecola, left the firm in July to pursue his professional career. Grace Choi and Adam Mehrer have joined WFG, both, as an Associate Investment Counsel.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

Item 3 - Table of Contents

Item 2 – Material Changes	ii
Item 2A – Summary of Material Changes for 2013.....	ii
Item 2B – Summary of Non-Material Changes for 2013	ii
Item 3 - Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	1
Item 6 – Performance-Based Fees and Side-by-Side Management	3
Item 7 – Types of Clients	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Item 9 – Disciplinary Information	5
Item 10 – Other Financial Industry Activities and Affiliations.....	5
Item 11 – Code of Ethics	6
Item 12 – Brokerage Practices	13
Item 13 – Review of Accounts.....	16
Item 14 – Client Referrals and Other Compensation.....	17
Item 15 – Custody.....	17
Item 16 – Investment Discretion	18
Item 17 – Voting Client Securities	18
Item 18 – Financial Information	18
BROCHURE SUPPLEMENT	19

Item 4 – Advisory Business

- A. *Description.* Wills Financial Group was established in 1989 as a fee-only investment advisor by Janet and Dick Wills following Janet's successful career in Pennsylvania as an investment advisor. The business was incorporated in 1999 with Janet as the principal owner. We serve clients in over 20 different states within the United States, and our regulator is the Securities and Exchange Commission of the United States ("SEC").
- B. *Services.* WFG provides fee-based asset management services for clients on a discretionary basis. We also provide assistance in other aspects of financial planning and related service, such as mortgage analysis, tax and estate planning, Social Security analysis, divorce settlement, and retirement planning. Our firm's financial and investment services are enhanced by the initial discussions and regular meetings that we hold with clients on their financial status and future goals and needs.
- C. *Individual Services.* A thorough understanding of our clients' financial situation and future needs allows us to better provide financial analysis, advice, and appropriate investments. With an understanding of clients' investment objectives, financial status and goals, investment horizon, risk tolerance, liquidity needs, and general tax considerations, our investment counsels determine appropriate investment allocations and create a customized portfolio for each client. We work closely with new clients before we begin the investment process, a practice that allows clients to inform us of any preference to restrict investments in certain securities or types of securities. Occasionally we may give clients the option of investing in private placement opportunities.
- D. *Wrap Fee Programs.* WFG does not participate in wrap fee programs, and, therefore, has no information to share for this item.
- E. *Client Assets.* As of March 18, 2014, total assets managed on a discretionary basis were \$157, 791,000 which represents all assets that we manage.

Item 5 – Fees and Compensation

Compensation. Compensation for our asset management services is based upon the client's portfolio value via an assets under management (AUM) fee. Our fees may vary and can range from 1 percent to 0.4 percent. Fees for extensive client work other than investment advice and for non-clients may range from \$150 to \$300 per hour. These fees are the only amount of compensation we reasonably expect to receive indirect or directly for services rendered. As part of our asset management services, WFG provides clients with additional services, such as analyzing and providing advice on client's financial situation and investments, cash management and budgeting,

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

asset ownership arrangements, estate planning, insurance coverage, investment portfolio, retirement planning, and financial goals.

- A. *AUM Fees*: WFG's asset under management fee schedule is included in the Letter of Engagement (LOE) signed by each client and by WFG's president. We believe the amount of compensation will be limited to that which is described and agreed upon in your LOE. Our fee schedule is reprinted here for full disclosure:

WFG FEE SCHEDULE

1.0 percent on the first \$2,000,000 (\$0 to \$2,000,000)
0.8 percent on the next \$2,000,000 (\$2,000,001 to \$4,000,000)
0.7 percent on the next \$2,000,000 (\$4,000,001 to \$6,000,000)
0.4 percent on additional amounts (negotiable)

Fees are charged in arrears to client accounts following the end of a calendar quarter for assets under management in the prior quarter. The quarterly fee is calculated by WFG as 25 percent of the annual fee as shown above (or by special negotiated fee arrangements) on the closing portfolio value at the end of the quarter, adjusted for all inflows to and outflows from each account. Fees are not independently calculated by the custodian but will be reflected in the custodian's monthly statement. If our services are terminated before the end of a calendar quarter, we bill client only for that portion of the previous quarter when we managed client's investments.

The form of fee payment is negotiated with each client. We prefer that the client authorize the payment as an automatic deduction from his custodial account(s).

- B. *Hourly Fees*: Our asset management fee is generally inclusive of any and all financial advice for clients; for any financial research and advice for clients that require excessive time, we may charge a separate fee, which is also applicable to financial planning advice and other services for non-clients. These services are negotiated with each client or non-client and are billed on an hourly basis not to exceed:

Wealth and lifestyle analysis	\$300/hour
Project management and financial planning	\$200/hour
Back-office support	\$150/hour

The fees shown above do not include brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. Clients may incur certain charges imposed by custodians (like Charles Schwab), brokers,

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

third party investment and other third parties, such as fees charged by third party managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to WFG's fee, and WFG does not receive any portion of these commissions, fees, and costs.

Please note that Item 12 further describes the factors that WFG considers in selecting or recommending a broker/dealer for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

- C. Neither WFG nor any of its investment counsels or staff receives any compensation for the purchase of any investment product for client accounts. We receive no service fees or compensation for the purchase of any mutual fund for client accounts. If WFG were to receive fees or compensation for any investment product, we would separately disclose the situation to any and all clients affected.

Item 6 – Performance-Based Fees and Side-by-Side Management

Wills Financial Group does not charge performance-based fees (compensation to the investment manager as a reward for positive performance and generally a percentage of the profits made on the investments) to its clients, nor do we compensate our staff based on the capital gains or appreciation of client assets. As stated in Item 5 above, client fees for WFG's management services are calculated solely on total assets under management.

Item 7 – Types of Clients

Wills Financial Group provides asset management services for individuals, high net worth individuals, trusts, corporations and other business retirement accounts, and estates. To effectively allocate clients' assets among investment options, we prefer that a client initiate our services with a minimum of \$200,000; we may accept, however, clients with smaller portfolios based upon certain factors, including anticipated future additional assets and/or earning capacity, any related accounts, pre-existing client relationships, and the account composition.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

While we believe that our investment strategy focuses on capital preservation minimizes downside risk, there is always the possibility that financial markets or individual companies whose securities we hold in client accounts will decline in value. Investments involve the risk of loss of principal, a reduction of interest and dividends, and other risks that include market risk, systemic risk, interest rate risk, company or

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

issuer risk, economic conditions' risk, timing risk, and the risk that we will misinterpret investing data or make incorrect assumptions about a security or the market. Our ongoing monitoring of economic conditions, financial markets, and individual companies' business and financial data, however, assist in diminishing long-term losses. Other strategies that we employ to manage clients' portfolio include:

Fundamental Analysis – an essential part of determining which securities to include in a portfolio comes from attempting to study characteristics of a company. This would include an analysis of financial statements, earnings record, industry competitors and its competitors' advantages. However, understanding the current events of a company does not help us to predict market movements.

Technical Analysis – we look at past market movements of a company in order to develop a key understanding the price patterns a company may have. Technical analysis also includes studying stock charts. Charts are used to identify any upward or downward trends, compare and contrast securities, and determining how long a trend will last. Ultimately, this would help in predicting future price movements.

Asset allocation – following discussions with a client regarding his financial picture, goals, risk tolerance, and income requirements, we construct a portfolio of securities that complements each client's situation. Even with our attention to appropriately allocating a client's portfolio among different asset types, any one type of asset, an industry sector, or an individual security may decline in value due to market conditions, general economic conditions, unforeseen events, United States monetary policy, or individual company situations.

Discipline – by adhering to our investment strategy, we manage client assets through a careful approach to capital preservation. Even though we adhere to our broad investment strategy, client portfolios and individual securities are subject to the types of risk identified above.

Diversification – placement of client assets in a diverse group of securities and industries helps to minimize risk while enhancing long-term rewards. While diversification assists in minimizing risk of loss, client portfolios and individual securities are still subject to different types of risk identified above.

Income tax considerations – while mindful of tax implications when making investing decisions, we believe that tax considerations should not replace economic gain or loss as the primary factor of investment decisions. Even though we consider tax implications and buy and sell securities in client accounts to the best of our ability to maximize the client's overall return, the risks identified above are always present in investment decisions.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

While we do not employ an absolute buy and hold strategy, we generally stick with our investments unless we have a compelling reason to sell. This practice gives investments time to work, minimizes brokerage fees for our clients, and avoids taxable events for clients.

Our investment strategy involves primarily the inclusion of stocks and fixed income securities in our client portfolios. Stocks are subject to many types of risk, including market risk, credit risk, systemic risk, company risk, etc. Fixed income securities are subject to credit risk, interest rate risk, and others. While any investment involves risk and there can be no guarantees that our investment efforts will be successful, we believe that the primary investment assets that we purchase for clients help to minimize any extremely significant or unusual risk in their overall portfolio.

Item 9 – Disciplinary Information

Wills Financial Group is required to disclose any legal or disciplinary events involving our firm's business or our employees that would be material to a client or to a prospective client's evaluation of us as an advisor or the integrity of our management. We have been in business for over 20 years, and neither WFG nor its employees has ever been cited for any disciplinary or legal actions.

Item 10 – Other Financial Industry Activities and Affiliations

- A. WFG employees do not have any affiliation, arrangement, activity or relationship within the financial industry, other than with our company. None of our employees are registered or have an application pending to register as a broker/dealer or as a registered representative of a broker/dealer.
- B. WFG employees are not registered nor do they have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. WFG is required to describe any relationship or arrangement that is material (whether a reasonable investor would consider the information important) to our business or to our clients; if the relationship or arrangement creates a material conflict of interest, then the nature of the conflict is described, along with how we address the conflict:
 - 1. At the request of one client, WFG has a special agreement with Capital Management Corporation (CMC) (9030 Stony Point Parkway, #150, Richmond, VA 23235) to provide asset management services as a sub-advisor for that one client. WFG's client established the CMC account prior to the establishment of a relationship with WFG and asked that we review the CMC account in relation

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

to investments that we make for the client. WFG maintains a review of the CMC account and incorporates its investments and results in our quarterly reports to the client. Because each investment advisor involved with the client is compensated by the client, and no compensation is paid by either CMC or WFG to the other, there is no conflict of interest.

- D. WFG does not recommend or select other investment advisors for our clients where we would receive compensation directly or indirectly from those advisors, a situation that would create a material conflict of interest for WFG.

Item 11 – Code of Ethics

This Code of Ethics (the “Code”) is written so as to be read and understood by each employee of WFG and is required by SEC regulations. This Code does not attempt to serve as a comprehensive outline regarding the conduct of employees of the firm, but rather to establish general rules of conduct and procedures applicable to all employees of the firm. Any questions regarding the Code should be referred to the CCO.

11.1 Statement of General Principles

The Advisers Act imposes a fiduciary duty on investment advisers. WFG, as a fiduciary, owes an overarching fiduciary duty to act in the best interests of the Company’s clients, as well as a duty of honesty, good faith and fair dealing. It is important that employees avoid any situation that might compromise, or even appear to compromise, their exercise of fully independent judgment in the interests of the firm’s clients.

Employees are required to report promptly to Compliance any violations of the Code. Any exceptions from the Code may only be granted by the CCO.

11.2 Use and Distribution

This Code is a basic part of WFG’s compliance program. All employees of WFG will be required to possess a copy of this Code at their desk, and sign an acknowledgement indicating that they have read, understand, and will abide by the Code. The Code may be revised and/or supplemented from time to time, and it is the responsibility of each employee to ensure they have the most recent edition.

This Code is included in its entirety in our Form ADV Part 2A and will be made available to any client or prospective client upon request .

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

11.3 *Outside Activities*

All outside activities conducted by an employee which either (1) provide for compensation to the employee; or (2) involve employment, publication of articles, or radio or television appearances, must be approved beforehand by the Compliance Officer.

11.4 *Gifts and Entertainment*

The acceptance or offering of gifts, entertainment, favors and/or other things of value by any employee may create a conflict of interest for WFG. If the gifts or other things are excessive in amount, they may be deemed a violation of law. The following guidelines are provided to assist in conduct relating to these gifts:

- a. Gifts should be reasonable in terms of value and frequency. No employee may accept a gift larger than \$250 (\$500 in the aggregate during a calendar year) from any single person or entity that does business with WFG, regardless of capacity.
- b. Business entertainment is permissible, and may go beyond the \$250/\$500 limit stated above. "Entertainment" differs from "gifts" in that the employee is present at the theater/sporting event. Business entertainment must be approved by the Compliance Officer. If the same event was approved in a prior instance, the employee need not seek specific approval (e.g. tickets to baseball games need not be approved for each instance).
- c. Gifts or favors should never be solicited.
- d. Employees should never, regardless of amount, accept any gift or favor that would impact employee's decision making or make the employee feel beholden to the gift giver.
- e. Likewise, employees should not give gifts or favors if the sole intent is to influence the decision making of another person or firm.
- f. All gifts over \$100 must be reported to the CCO.
- g. If an employee is not sure as to the appropriateness of a gift, the employee should consult with any of the WFG Officers.

11.5 *Confidentiality*

WFG must at all times act to maintain the confidentiality of all Confidential Information in its possession. "Confidential Information" (also known as Non-public Information (N-P Info)) includes (1) proprietary information and (2) confidential client information. Proprietary information includes information, analyses, plans, proposals client lists, prospective client lists or other ideas and data created or obtained by WFG for business purposes.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

Confidential client information includes all information about any client (including the fact that a client relationship even exists) or received from any client or other party with the expectation that the information will be kept confidential and used only for the purposes for which it was disclosed. Confidential information may include not only financial reports, , financial plans, projections, or business plans, but also the identity of clients, information about client accounts, borrowings or other activities at WFG as well as any internal assessment of the creditworthiness of the client (whether or not such internal assessment is based on confidential information). Confidentiality is imperative regardless of the form the information takes - oral, printed, or electronic. Confidential information is the property of WFG (or the client), should be treated as need to know and cannot be misappropriated by employees for personal benefit or other purposes.

WFG Personnel are aware that they:

1. should not disclose Confidential Information to any person outside WFG (including family members) except as appropriate in the conduct of the WFG's business;
2. should not disclose Confidential Information to persons within WFG except as appropriate in the conduct of WFG 's business; and
3. should treat Confidential Information with care so as to avoid inadvertent or inappropriate disclosure.

It is important to note that your duty to protect Confidential Information applies even after you leave WFG.

Temporary workers should not (to the extent possible) be entrusted with tasks that involve, or be otherwise exposed to, Confidential Information. All temporary workers or third party consultants/vendors will be required to sign a confidentiality agreement upon commencing their employment with WFG.

11.6 *Service as an Officer or Director of a Public Company*

Without the prior approval of the Compliance Officer, no employee may serve as an officer or director of a for-profit company.

11.7 *Disciplinary Matters, Form U-4, Litigation*

Each prospective employee, and all current employees (annually) will be required to complete a Form U-4, which includes questions related to litigation and criminal

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

history. The form will be maintained as a part of each employee's permanent file with WFG. Each employee is required to notify Compliance if the response to any of the items in the Form U-4 change, including address, other names, and of course, disciplinary history, criminal activity and litigation. Even threatened litigation (which includes bankruptcy or foreclosure) should be reported, whether the employee is a plaintiff or a defendant.

11.8 Industry Regulators

The securities industry is highly regulated. Employees should be prepared at all times for visits or other communications from various regulatory authorities, which may include, but are certainly not limited to, the SEC. If any employee is approached by any regulator or any other governmental official (including a prosecutor), the employee must immediately notify the Compliance Officer. This does not mean that employees are prohibited from lawfully communicating, other than on behalf of WFG, with any U.S. governmental or regulatory body regarding a possible violation of any fair employment practices law. All employees have the right to contact such agencies for any such purpose, knowing they are protected from retaliation by WFG. Employees are encouraged to become familiar with the SEC's Whistleblower Policy.

If an employee is approached by a regulatory or other government official who requests documents, the individual should be referred to the Compliance Officer. Under no circumstances should any documents be released without the prior approval of the Compliance Officer.

11.9 Discussions with the Media

In order to avoid having any communication with the media misconstrued as promoting the business of WFG or deemed to be advertising under the various securities laws, it is the policy of WFG that no communications should occur with the press or other news media without first notifying the Compliance Officer and receiving approval.

At times, associates may speak at events where the media are present. The following should be used as general guidelines:

1. Do not discuss performance of any client account, the firm's accounts in general, or any specific investment decision made on behalf of a client.
2. If you are asked a question about a specific security, steer the response toward the sector in general, and away from the specific security. Do not indicate if you would buy or sell that security.
3. Do not comment on IPOs.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

4. Do not comment on securities in your personal accounts.
5. Do not give stock price or earnings projections.

11.10 *Customer Complaints*

Complaints are defined as any statement by any client or a person acting on a client's behalf, alleging a grievance in connection with his/her accounts at WFG.

When a complaint is received, it should be directed to the Compliance Officer. The Compliance Officer will determine if the client is actually alleging a grievance or is instead merely asking questions or seeking information. All complaints should be documented thoroughly, and resolved promptly and fairly.

Records of all complaints will be maintained by Compliance.

11.11 *Political Contributions*

Before making any political contributions, employees should contact the Compliance Officer. There may be connections to the intended recipient that may violate law or this Code. If the Compliance Officer determines that such a relationship exists, the employee will not be permitted to make the contribution.

11.12 *Communication and Information Resources*

WFG maintains many books and records in electronic form. WFG's communication and information resources may contain certain of these records, including, but not limited to, computer and data systems, electronic mail, instant messaging, internet access, telephones, voice mail, copy machines, facsimile machines, "blackberries", video conferencing facilities, and other external communication links, whether they are on-site, mobile or remote. These resources are to be used primarily for conducting the business of WFG. Accordingly, the provision of these resources is primarily for the performance of job-related tasks. Personal use is permitted provided that such use is reasonable, contains appropriate content, is not offensive to other employees or clients, and does not interfere with the performance of an employee's job functions or is otherwise inconsistent with the policies and business of WFG.

In all cases the content of communications delivered via these resources and the accessing of web sites must conform to the highest professional standards expected of WFG personnel. Communications delivered via these resources must not contain inappropriate content or language. Viewing, sending, redistributing, transmitting or storing indecent, offensive or potentially offensive material or information, including harassment of others via WFG's resources is strictly prohibited.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

Electronic communications are considered communications of WFG and must be consistent with all legal, regulatory and compliance requirements and WFG policies. All communications, data and information created, transmitted and maintained in WFG's systems are considered property of WFG and should be treated and confidential and proprietary. Employees do not have any privacy rights with respect to the content of electronic transmissions, including web browsers. All users of such assets are responsible for safeguarding them against unauthorized use, disclosure, modification and destruction. Unnecessary unauthorized disclosure of any of WFG's resources to any internal or external party is strictly prohibited.

WFG employs mechanisms for ensuring the security, integrity and confidentiality of its information resources including restricting access to systems, password protection and data segregation. All users of all information systems are expected to be familiar with and comply with all policies governing the use of each system.

All electronic business communications should be transmitted through the electronic resources of WFG. Conducting the business of WFG through the use of third party communications vehicles (e.g. Yahoo, Gmail) including instant messaging accounts is prohibited without the prior consent of the Compliance Officer.

In formulating and addressing email and instant messages, employees should exercise the same care and discretion they would with any written document. It is expected that all employees will act professionally and use good business judgment when communicating to others via email or instant messaging. Like traditional written communications, the lack of body language and auditory expression leaves electronic correspondence subject to possible misinterpretation. Employees should ensure that WFG's electronic correspondence conveys the highest level of professionalism.

All electronic communications and information resources may be monitored at WFG's discretion to determine whether use is in accordance with this policy, and to investigate claims of wrongdoing and inappropriate use of WFG's systems. Further, WFG's electronic resources may be monitored and the contents therein disclosed to regulatory and litigation requests.

The Compliance Officer on a regular basis will review employee email for compliance with SEC rules and firm policy.

11.13 *Personal Trading*

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

- a. Each employee is required to identify to the Compliance Officer upon hire, and thereafter at least annually, all brokerage accounts over which they have trading authority, as well as all brokerage accounts over which anyone in their household has trading authority. Each employee shall provide a quarterly report of all holding to the Compliance Officer with 45 days of the end of each quarter. The Compliance Officer will review each report.
- b. Never Trade with Inside Information: Under no circumstances may you purchase or sell securities while in the possession of material, nonpublic information regarding the security or its issuer. The fact that you may have received trade pre-approval does not absolve you from responsibility if you traded while in possession of such information. Insider trading is a serious criminal offense. IF YOU ARE NOT SURE WHETHER OR NOT THE INFORMATION YOU HAVE IS MATERIAL NONPUBLIC INFORMATION OR INSIDE INFORMATION CONTACT THE COMPLIANCE OFFICER.
- c. Sanctions. The Compliance Officer or a designee shall review all personal trading activity of all employees. If the Compliance Officer identifies a violation of this Code or actual or potential conflicts of interest (even if discovered after-the-fact because certain facts were not disclosed) it will result in the imposition of disciplinary sanctions, which may include termination of employment, without any prior warning.

Specific "Do's" and "Don'ts" for employees:

1. Employees may not buy new issues in registered public offerings, ipo's even when WFG is not involved in the offering.
2. Employee trading should be for investment purposes and not for short-term trading profits. You are expected to devote your workday to WFG's business, not to managing your personal trading. Employees should not create a high degree of financial risk to themselves in their personal trading.
3. Unless specifically approved in writing by Compliance, employees may not purchase or sell securities on WFG's "Restricted List".
4. Employees may not buy or sell securities using their knowledge of WFG's, a client's, or investor's trading plans.
5. Employees may not buy or sell securities ahead of a client. This is referred to as "front running".

If you have any questions on how these policies and procedures work or what you can or cannot do, contact the Compliance Officer

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

12 – Brokerage Practices

A. Client assets must be maintained at a qualified custodian, generally a broker/dealer or bank. In selecting and recommending a broker/dealer for client investment transactions, WFG uses the following criteria:

- National presence, financial strength and reputation
- Discount brokerage fees, typically 50%-70% less than full service brokerage firms
- Capability to facilitate transfers and payments to and from accounts, such as wire transfers, check requests, bill payments, etc.
- Concise and complete client statements
- Excellent account administration and electronic support for clients and WFG
- Compliance support and investment research and tools that assist WFG in making investment decisions
- Execution capabilities
- Access to the markets for the securities being traded
- Availability of other products and services that benefit WFG as discussed below

Based on these criteria, WFG recommends that our clients authorize the establishment and maintenance of their brokerage accounts with Charles Schwab & Co., Inc. (Schwab) for the purposes of holding custody of client assets and for effecting securities transactions in their accounts. WFG is not affiliated with nor directly compensated by Schwab. The client will open an account with Schwab or another broker by entering into an account agreement directly with them, and we will assist a client in doing so. Clients are under no obligation to use Schwab as their broker of choice and are free to choose any firm which can provide the same level of brokerage services. WFG may not reassign client accounts to another broker without the written permission of the client.

1. As a fiduciary, WFG endeavors to act in its clients' best interests, and our recommendation for clients to maintain their assets in accounts at Schwab may be based in part on the benefit to WFG of the availability of certain products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which could create a potential conflict of interest. The commissions or other transaction-related fees for securities trades that we execute through Schwab or that settle in Schwab accounts benefit both the client and WFG.

- a. The broker/dealer arrangement with Schwab makes available to WFG free products and services that benefit WFG but may not necessarily benefit

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

- client accounts. Some of these other products and services assist WFG in managing and administering clients' accounts and include software and other technology that provide access to client account information (such as trade confirmations and account statements); the facilitation of trade executions (and allocation of aggregated trade orders for multiple client accounts); the availability of research, pricing information and other market data; the facilitation of payment of WFG's management fees from client accounts; and assistance with back-office functions, recordkeeping and client reporting. Schwab provides WFG 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 so long as a total of at least \$10 million of the advisor's client assets are maintained in accounts at Schwab and are not otherwise contingent upon WFG committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab also makes available to WFG other services intended to help WFG manage and further develop its business. These services may include consulting, publications, and conferences on practice management, information technology, business succession, regulatory compliance, and marketing.
- b. Schwab may make available, arrange and/or pay for these types of services rendered to WFG by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fee of a third-party providing these services to WFG.
 - c. The services and products provided by Schwab or any broker/dealer to investment advisors could provide WFG or any investment advisor with an incentive to recommend Schwab or another broker/dealer to our clients as the broker/dealer for their transactions based on the investment advisor's interest in obtaining the research or other free services or products, rather than doing so in the client's best interest. We believe, however, that WFG has determined in good faith that Schwab's commissions are reasonable in relation to the value of the brokerage and services received.
 - d. WFG has screened and evaluated other broker/dealers and determined Schwab's transaction costs, while not necessarily the lowest available, are reasonable considering Schwab's high level of services and support. WFG generally will seek competitive commission rates for our clients but will not necessarily attempt to obtain the lowest possible commission for client transactions.
 - e. The benefits that WFG receives from Schwab generally benefit all client accounts. We do not attempt to proportionately allocate to client accounts the benefits we receive based on the commissions generated from client transactions.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

- f. During our last fiscal year WFG has used Schwab-provided services related to researching, transacting, processing and maintaining client accounts; the processing of client management fees; and the advice, technology and tools associated with back-office functions, recordkeeping and client reporting. Members of our staff may attend Schwab-sponsored events that include presentations and discussions on financial markets, the world economy, compliance, and technology.
 - g. WFG has investigated various broker/dealers over the years to identify the optimum service provider for both our clients and for WFG in relation to the commissions and fees charged and the services provided to the client and to WFG. For over 20 years we have continued to recommend Schwab as the optimum broker/dealer due to its reasonable commissions and fees and services provided. The Letter of Engagement signed by our clients authorizes WFG to arrange for the execution of securities transactions for the client through brokers or dealers that WFG reasonably believes will provide best execution and that considers the broker/dealer's reputation, access to markets for the securities being traded, with competitive commission rates that may not be the lowest possible but reasonable in relation to the value of brokerage services received. In addition, when establishing our investment advisory relationship, a client signs a contract that authorizes Charles Schwab or another provider as the custodian of the cash, securities, and other assets managed by WFG and directs the custodian to provide statements to the client indicating all transactions in the account, including the amount of any fees paid to WFG, and the value of the account at the end of the reporting period.
2. WFG does not receive client referrals from any broker/dealers.
3. Directed Brokerage
- a. As previously mentioned, WFG considers many factors in selecting a broker/dealer, including competitive commissions for our clients. We do not necessarily attempt to obtain the lowest possible commission for transactions.
 - b. We routinely recommend and use Schwab for custody and execution, as noted above. A client may, however, direct us to execute transactions through another broker/dealer, which may result in less favorable execution of client transactions. For example, a client's broker/dealer may be predetermined by his employer's retirement plan and not subject to change, even when WFG has been retained as the client's investment counsel.
- B. When an occasion arises to aggregate the purchase or sale of securities for various client accounts, we may take advantage of Schwab's aggregation capabilities if we

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

are anxious to make the trade so that all clients purchase or sell the security at the same price. There is no

commission charged by Schwab for the block trade; rather, Schwab charges each client its typical commission when the block trade is allocated to each account. On those occasions

when we do not choose to execute a block trade for the same stock in multiple accounts, we may do so to avoid the effect of a large purchase or sale at one time on the market. Our clients' commission costs are the same whether we do a block, or aggregate transaction, vs. individual trades.

Item 13 – Review of Accounts

- A. Assets held in client accounts are monitored on a weekly basis by our investment counsels for appropriateness for the client and for current conditions with each stock. At least quarterly, the asset allocation of each account is reviewed by Janet H. Wills, President. She also reviews the quarterly reports that WFG sends to clients.
- B. WFG's investment counsels are in frequent contact with our clients. Should either a market or life event occur that might impact the client's investments, an in depth review of the client's account(s) is initiated by one of our investment counsels.
- C. WFG provides a letter from our president and account statements on a quarterly basis to clients to supplement the monthly statements and transaction reports provided by the broker/dealer who holds custody of client assets. We also provide clients with a summary of the management fees they have paid to us for use in tax filings. Other reports may be produced upon client request. The quarter ending reports provided by WFG include:
 - 1. *Performance Summary* – shows opening and ending client balance in all accounts for the quarter and details additions to the account, withdrawals, interest and dividends received, expenses associated with the account, WFG's quarterly management fee, capital appreciation, and accrued income—all presented for the current quarter, year-to-date, and since inception with WFG; this statement also reports the client's investment performance as a time weighted return and compares the return to both the S&P 500 Composite Index and the Merrill Lynch 1-5 Government/Corporate Bond Index.
 - 2. *Equity Performance Analysis* – shows the equity performance in comparison to the S&P 500 Composite Index for various time periods and the difference between performance and the index.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

3. *Portfolio Income Statement*– lists each investment held in client’s account(s) and for each investment shows the name of the company or fund name, the percentage of the total portfolio represented, the account in which the security is held, date of purchase, quantity, cost basis, current value as of quarter end, annual dividend per share, annual income, cumulative income since purchase, current dividend yield, and the yield at cost; for each bond, lists the company name, maturity and call date, coupon rate, percentage

of the total portfolio represented, the account in which the bond is held, date of purchase, quantity, cost basis, current value, annual income, cumulative income since purchase, the yield at cost, and accrued income; client’s cash and equivalents in each account, and the totals of all investments, including cost basis, current value, annual income, cumulative income, current yield and yield at cost.

Item 14 – Client Referrals and Other Compensation

- A. WFG and its employees receive no economic benefit from anyone other than WFG for providing investment advice or other advisory services to our clients. Any exception to this guideline would be disclosed to clients.
- B. WFG does not compensate anyone, either directly or indirectly, for client referrals.

Item 15 – Custody

WFG’s broker/dealer of choice, Schwab, maintains actual custody of client assets. We are deemed by the SEC to have custody of a client’s assets if the client authorizes us to instruct Schwab to deduct our management fee directly from the client’s account(s), or if a client authorizes us to move his money to another person’s account. WFG strongly urges its clients to carefully review Schwab or other broker/dealer statements and compare such custodial records to the quarterly statements that we provide. Although we reconcile our clients’ account balances at Schwab and other custodians with our records, our statements may vary from custodial statements based on accounting procedures, reporting dates, or differences in valuation methodologies of certain securities. We make every effort to ensure the client is receiving his statement(s) from the custodian of WFG client accounts and to remedy any known discrepancies which might occur between WFG and custodian statements in a timely fashion.

At the request of one client, WFG has agreed to be both the trustee and the investment advisor for this particular client. In so doing, we have indicated a “yes” response to Item 9A, Custody, ADV Part 1 filed with the SEC, and we do comply with the safeguarding requirement of an independent verification for this account by a

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR

required annual surprise audit. While WFG provides trustee services for this client, it does not consider trustee or custody services to be a material aspect of its overall business.

Item 16 – Investment Discretion

WFG requests discretionary authority from each client at the outset of our relationship which allows WFG to select the identity and allocation of assets to be bought or sold for each client. The client approves WFG's discretionary authority when establishing our services via WFG's Letter of Engagement. The Letter of Engagement also specifies that a client will promptly notify WFG of any change in the client's investment objectives that might affect the manner in which his account should be managed by WFG. We do acknowledge special requests by some clients

regarding our investment decisions. These requests may vary, from restrictions placed on investing in specific sectors (tobacco, alcohol, gambling, etc.) or equities, to the notification of pending transactions. We attempt to comply with the wishes of our clients whenever possible.

Item 17 – Voting Client Securities

One of the benefits of equity stock ownership is the opportunity and responsibility to participate in corporate governance via proxy voting. As a service to our clients, WFG is willing to assume proxy voting if a client delegates this responsibility to us. We have adopted a proxy voting policy and procedures that we follow when clients authorize WFG to vote their shares. Our policy is to always cast proxy votes in a manner consistent with a client's best interest. Our policy is designed to prevent conflicts of interest from influencing proxy votes made on a client's behalf while fulfilling our fiduciary obligations to our clients.

Our proxy voting policy and procedures are available upon request to WFG; clients also may request information on how specific securities were voted.

Item 18 – Financial Information

Registered investment advisors are required in this item to provide certain financial information or disclosures if they solicit or require prepayment of more than \$1,200 in fees per client six months or more in advance. Because we are considered to have custody of client funds due to our ability to debit client accounts for the quarterly management fee, we are required to disclose any financial condition that could impair our ability to meet contractual commitments to clients. Please be assured that we have no such financial condition that impairs our ability to meet contractual and fiduciary commitments to clients. We do not require or collect client fees in advance, and we have not been the subject of a bankruptcy proceeding; therefore, we are not reprinting WFG's financial statements and audit report in this document.

WILLS FINANCIAL GROUP

REGISTERED INVESTMENT ADVISOR