

The Welch Group, LLC

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This Brochure provides information about the qualifications and business practices of The Welch Group, LLC (“The Welch Group”). If you have any questions about the contents of this Brochure, please contact us at (205) 871-5805 or greg@welchgroup.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 The Welch Group, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to The Welch Group, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to The Welch Group's disclosure statement since last year's Annual Amendment filing on February 27, 2013.

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Item 4 Advisory Business

- A. The Welch Group is a limited liability company formed on September 4, 1998 in the State of Alabama. The Welch Group became registered as an Investment Adviser Firm in February 1999. The Welch Group is principally owned by Stewart H. Welch, III, who is The Welch Group's Managing Member.
- B. As discussed below, The Welch Group provides its clients (i.e. individuals, pension and profit sharing plans, trusts, and business entities) with wealth management services, which include financial analysis, investment management, and ongoing financial analysis services for those clients that continue to engage The Welch Group to provide investment management services and, to the extent specifically requested by a client, financial planning and related consulting services.

PORTFOLIO DESIGN/MANAGEMENT

In the event the client desires, the client can engage The Welch Group to design an investment portfolio and provide ongoing corresponding investment management services on a *fee-only* basis. The Welch Group'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 limited situations (i.e. non-investment management clients, and investment management clients that require a disproportionate amount of consulting services), The Welch Group may charge an hourly fee for investment-related consulting services.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent it is specifically requested to do so, The Welch Group may provide its clients with a broad range of financial analysis and consulting services (including non-investment related matters) on a stand-alone separate fee basis. Prior to engaging The Welch Group to provide financial analysis and/or consulting services, the client will generally be required to enter into a *Financial Advisory Agreement* with The Welch Group setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to The Welch Group commencing services. If requested by the client, The Welch Group may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from The Welch Group. **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 Welch Group if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising The Welch Group's previous recommendations and/or services.

REPORTING SERVICES AND AGGREGATE DATA STORAGE

In addition to the aforementioned services, The Welch Group offers investment data storage and periodic comprehensive reporting services which can incorporate all of the client's investment assets," including those investment assets that are not part of the assets managed by The Welch Group (the "*Excluded Assets*"). Should the client desire reporting services, the acknowledges and understands that with respect to the *Excluded Assets*, The Welch Group's service is limited to reporting and data storage services only and **does not** include investment management, review, or monitoring services, nor investment recommendations or advice. As such, the client, and not The Welch Group, shall be exclusively responsible for the investment performance of the *Excluded Assets*. In the event the client desires that The Welch Group provide investment management services with respect to the *Excluded Assets*, the client may engage The Welch Group to do so for a separate and additional fee in accordance with the fee schedule set forth above.

MISCELLANEOUS

Additional Investment Management Services. The Welch Group may also render discretionary investment management services to clients relative to: (1) variable annuity products that they may own, or (2) their individual employer-sponsored retirement plans. In so doing, The Welch Group either directs the allocation of client assets among the various mutual fund subdivisions which comprise the variable annuity product or the retirement plan based upon the investment objectives of the client.

Non-Investment Consulting/Implementation Services. To the extent specifically requested by the client, The Welch Group *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither The Welch Group, nor any of its representatives, serves as an attorney, accountant or insurance agent, and no portion of The Welch Group's services should be construed as same. To the extent requested by a client, The Welch Group may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from The Welch Group. **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 Welch Group if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising The Welch Group's previous recommendations and/or services.

Fee Differentials. As indicated below, The Welch Group shall price its services based upon various objective and subjective factors. As a result, The Welch Group's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by The Welch Group to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

Private Investment Funds. To the extent that The Welch Group is requested to provide investment advice to clients with respect to private investment funds and/or products, the following disclosure is applicable:

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that The Welch Group references private investment funds owned by the client on any supplemental account reports prepared by The Welch Group, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

Client Obligations. In performing its services, The Welch Group 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 Welch Group if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising The Welch Group's previous recommendations and/or services.

Disclosure Statement. A copy of The Welch Group'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 *Financial Advisory Agreement*.

- C. The Welch Group shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Welch Group shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on The Welch Group's services.
- D. The Welch Group does not participate in a wrap fee program.
- E. As of December 31, 2013, The Welch Group had \$645,119,784 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

- A. The client can determine to engage The Welch Group to provide discretionary investment advisory services on a *fee-only* basis.

PORTFOLIO DESIGN/MANAGEMENT

In the event the client desires, the client can engage The Welch Group to design an investment portfolio and provide ongoing corresponding investment management services on a negotiable *fee-only* basis. The Welch Group shall charge an annual investment management fee based upon a percentage of the market value of the assets being managed by The Welch Group. The investment management fee shall generally vary between 0.25% and 1.20% as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Less than \$1,000,000	1.20%
\$1,000,001-\$3,000,000	1.00%
\$3,000,001-\$5,000,000	0.80%
\$5,000,001-\$7,500,000	0.70%
\$7,500,001-\$10,000,000	0.60%
\$10,000,001-\$25,000,000	0.50%
\$25,000,001-\$50,000,000	0.45%
\$50,000,001-\$100,000,000	0.40%
>\$100,000,000	0.30%

The Welch Group'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 limited situations (i.e. non-investment management clients, and investment management clients that require a disproportionate amount of consulting services), The Welch Group may charge an hourly fee for investment-related consulting services.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent it is specifically requested to do so, The Welch Group may provide its clients with a broad range of financial analysis and consulting services (including non-investment related matters) on a stand-alone separate fee basis. The Welch Group will charge a fee (fixed fee and/or hourly) for these services. The Welch Group generally charges a one-time negotiable fixed fee of between \$3,500.00 to \$10,000.00 for financial analysis. The Welch Group also occasionally renders financial analysis and/or consulting services on an hourly rate basis, from \$145.00 to \$495.00 per hour, depending upon the level and scope of the services required and the professional rendering the service(s). Prior to engaging The Welch Group to provide financial analysis and/or consulting services, the client will generally be required to enter into a *Financial Advisory Agreement* with The Welch Group setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to The Welch Group commencing services.

REPORTING SERVICES AND AGGREGATE DATA STORAGE

In addition to the aforementioned services, The Welch Group offers investment data storage and periodic comprehensive reporting services which can incorporate all of the client's investment assets," including those investment assets that are not part of the assets managed by The Welch Group (the "*Excluded Assets*"). Should the client desire reporting services, the acknowledges and understands that with respect to the *Excluded Assets*, The Welch Group's service is limited to reporting and data storage services only and **does not** include investment management, review, or monitoring services, nor investment recommendations or advice. As such, the client, and not The Welch Group, shall be exclusively responsible for the investment performance of the *Excluded Assets*. In the event the client desires that The Welch Group provide investment management services with respect to the *Excluded Assets*, the client may engage The Welch Group to do so for a separate and additional fee in accordance with the fee schedule set forth above.

- B. Clients may elect to have The Welch Group's advisory fees deducted from their custodial account. Both The Welch Group's *Financial Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of The Welch Group's investment advisory fee and to directly remit that management fee to The Welch Group in compliance with regulatory procedures. In the limited event that The Welch Group bills the client directly, payment is due upon receipt of The Welch Group's invoice. The Welch Group 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 Welch Group shall generally recommend that Charles Schwab Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting 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). Clients will incur, in addition to The Welch Group's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed income transactions may be effected through broker-dealers with whom The Welch Group and/or the client have entered into arrangements for prime brokerage clearing services (in which event, the client shall incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Schwab*).
- D. The Welch Group'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 Welch Group will generally require an account minimum of \$2,000,000 for investment management services. The Welch Group, 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, client negotiation, etc.).

The *Financial Advisory Agreement* between The Welch Group and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Financial Advisory Agreement*. Upon termination, The Welch Group 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 Welch Group, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

Neither The Welch Group, nor any supervised person of The Welch Group, accepts performance-based fees.

Item 7 Types of Clients

The Welch Group's clients shall generally include individuals, business entities, pension and profit sharing plans and trusts. The Welch Group will generally require an account minimum of \$2,000,000 for investment management services. The Welch Group, 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, client negotiation, etc.).

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

- A. The Welch Group may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
 - 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 Welch Group 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)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear. 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 Welch Group) will be profitable or equal any specific performance level(s).

- B. The Welch Group'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 Welch Group must have access to current/new market information. The Welch Group has no control over the dissemination rate of market information; therefore, unbeknownst to The Welch Group, certain analyses may be compiled with outdated market information, severely limiting the value of The Welch Group'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 Welch Group's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - 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. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, The Welch Group 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).

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e. Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

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 Welch Group 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 Welch Group 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 Welch Group. 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 Welch Group 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 Welch Group 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 Welch Group, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, The Welch Group intends to primarily allocate investment management assets of its client accounts among individual fixed income and equity securities and/or various no-load mutual fund classes (including mutual fund subdivisions which comprise a variable annuity product owned by the client), on a discretionary basis in accordance with the investment objectives of the client.

The Welch Group's proprietary mutual fund asset management strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as The Welch Group's mutual fund asset management strategies, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to The Welch Group's management of client assets under The Welch Group's mutual fund asset management programs:

1. **Initial Interview** – at the opening of the account, The Welch Group, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. **Individual Treatment** - the account is managed on the basis of the client's financial situation and investment objectives;
3. **Annual Notice** – Annually The Welch Group shall notify the client to advise The Welch Group whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. **Annual Contact** – at least annually, The Welch Group shall contact the client to determine whether the client's financial situation or investment objectives have changed,

or if the client wants to impose and/or modify any reasonable restrictions on the management of the account.

5. ***Consultation Available*** – The Welch Group shall be reasonably available to consult with the client relative to the status of client’s account;

6. ***Monthly Statement*** – the client shall be provided with a Monthly statement containing a description of all activity in the client’s account during the preceding period;

7. ***Ability to Impose Restrictions*** – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct The Welch Group not to purchase certain mutual funds or securities;

8. ***No Pooling*** – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;

9. ***Separate Account*** - a separate account is maintained for the client with the Custodian; and

10. ***Ownership*** – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Welch Group believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs. However, The Welch Group’s annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to The Welch Group’s annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). **Please Note:** The Welch Group’s investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

Item 9 Disciplinary Information

The Welch Group has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither The Welch Group, 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 Welch Group, 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.

Other Investment Adviser. The Welch Group is affiliated with Fee-Only Planning Professionals, LLC (“*Fee-Only*”), an SEC registered investment adviser (SEC Filing No.: 801-56718). Stewart H. Welch III, the Managing Member of The Welch Group is a member and owner of *Fee-Only*. The Welch Group may refer certain clients to *Fee-Only* for investment advisory services. Because of Mr. Welch’s ownership interest in *Fee-Only*, there is a ***conflict of***

interest. No client of The Welch Group is required to use the services of *Fee-Only*. **The Welch Group's Chief Compliance Officer, Gregory Weyandt, 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.**

National Advisors Holding, Inc. The Welch Group's Member, Stewart H. Welch, III in his individual capacity, is a shareholder of National Advisors Holdings, Inc. ("NAH"), a company that formed a federal trust company, National Advisors Trust Company ("NATC") that is engaged in providing trust services. To the extent that The Welch Group recommends NATC's services to its clients, a conflict of interest will arise as a result of Mr. Welch's ownership interest in NAH. No client of The Welch Group will be required to use NATC's services. **The Welch Group's Chief Compliance Officer, Gregory Weyandt, 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.**

- D. The Welch Group 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 Welch Group maintains an investment policy relative to personal securities transactions. This investment policy is part of The Welch Group's overall Code of Ethics, which serves to establish a standard of business conduct for all of The Welch Group'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 Advisers Act of 1940, The Welch Group also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by The Welch Group or any person associated with The Welch Group.

- B. Neither The Welch Group nor any related person of The Welch Group recommends, buys, or sells for client accounts, securities in which The Welch Group or any related person of The Welch Group has a material financial interest.
- C. The Welch Group and/or representatives of The Welch Group *may* buy or sell securities that are also recommended to clients. This practice may create a situation where The Welch Group and/or representatives of the firm 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 Welch Group 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 Welch Group's clients) and other potentially abusive practices.

The Welch Group has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of The Welch Group's

“Access Persons.” The Welch Group’s securities transaction policy requires that an Access Person of The Welch Group 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 Welch Group selects; provided, however that at any time that The Welch Group has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Welch Group and/or representatives of The Welch Group *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 Welch Group and/or representatives of the firm 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 Welch Group has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of The Welch Group’s Access Persons.

Item 12 Brokerage Practices

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

Factors that The Welch Group considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with The Welch Group, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by The Welch Group's clients shall comply with The Welch Group'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 Welch Group determines, in good faith, that the commission/transaction fee is reasonable. 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 The Welch Group 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, The Welch Group's investment management fee. The Welch Group'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.

1. 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, The Welch Group may receive from *Schwab* (another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist The Welch Group to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by The Welch Group 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 The Welch Group 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 Welch Group in managing and administering client accounts. Others do not directly provide such assistance, but rather assist The Welch Group to manage and further develop its business enterprise.

The Welch Group's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by The Welch Group to *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 Welch Group's Chief Compliance Officer, Gregory Weyandt, 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. The Welch Group does not receive referrals from broker-dealers.
3. The Welch Group 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 The Welch Group 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 The Welch Group. 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 The Welch Group 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 The Welch Group.

The Welch Group's Chief Compliance Officer, Gregory Weyandt, remains available to address any questions that a client or prospective client may have regarding the above arrangement..

- B. To the extent that The Welch Group provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless The Welch Group decides to purchase or sell the same securities for several clients at approximately the same time. The Welch Group 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 Welch Group'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 Welch Group 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 The Welch Group provides investment supervisory services, account reviews are conducted on an ongoing basis by The Welch Group's Principals and representatives. All clients are advised that it remains their responsibility to advise The Welch Group of any changes in their investment objectives and/or financial situation. All clients (in person or telephonically) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with The Welch Group on an annual basis.
- B. The Welch Group *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 with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts.

Item 14 Client Referrals and Other Compensation

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

The Welch Group's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by The Welch Group to *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 Welch Group's Chief Compliance Officer, Gregory Weyandt, 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 Welch Group by either an unaffiliated or an affiliated solicitor, The Welch Group *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from The Welch Group's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to The Welch Group 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 Welch Group'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 Welch Group and the solicitor, including the compensation to be received by the solicitor from The Welch Group.

Item 15 Custody

The Welch Group shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts.

Please Note: To the extent that The Welch Group provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by The Welch Group with the account statements received from the account custodian. The account custodian does not verify the accuracy of The Welch Group's advisory fee calculation.

Please Also Note: Custody Situations: The Welch Group engages in other practices and/or services on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

The Welch Group's Chief Compliance Officer, Gregory Weyandt, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

Item 16 Investment Discretion

The client can determine to engage The Welch Group to provide investment advisory services on a discretionary basis. Prior to The Welch Group assuming discretionary authority over a client's account, the client shall be required to execute *a Financial Advisory Agreement*, naming The Welch Group as the client's attorney and agent in fact, granting The Welch Group 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 Welch Group on a discretionary basis may, at anytime, impose restrictions, **in writing**, on The Welch Group'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 Welch Group's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Welch Group does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact The Welch Group to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Welch Group does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Welch Group 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 Welch Group has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Welch Group's Chief Compliance Officer, Gregory Weyandt, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.