



Item 1

Cover Page

# Wealthquest Corporation

SEC File Number: 801 – 67079

ADV Part 2A, Firm Brochure

Dated: September 18, 2014

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This brochure provides information about the qualifications and business practices of Wealthquest Corporation ("WQC"). If you have any questions about the contents of this brochure, please contact us at (513) 530-9700 or [info@wqcorp.com](mailto:info@wqcorp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Wealthquest Corporation also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). References herein to Wealthquest Corporation as a "registered investment advisor" or any reference to being "registered" does not imply a certain level of skill or training.

## Item 2      **Material Changes**

Since the most recent Annual Amendment filing on March 25, 2013, this Firm Brochure has been amended to reflect the following material changes:

Item 4B, Advisory Business, has been amended to include a description of following: Asset Allocation Objectives, Retirement Plan Services and Pension Consulting, and Estate Planning Services.

Item 5A, Fees and Compensation, has been amended to reflect a new fee calculation methodology and rates. Fee rates are now determined by blending tiered rates. The Investment Advisory Agreement signed and on file with WQC remains applicable to each client.

Item 5A, Fees and Compensation, has been amended to include a description of our Financial Planning Fees and Services. The Financial Planning Fees apply to new clients only.

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## **Item 4      Advisory Business**

- A. Wealthquest Corporation ("WQC") is a corporation formed on July 13, 2006 in the State of Ohio. WQC became registered as an Investment Adviser Firm on August 17, 2006. WQC is principally owned by Wade K. Daniel and James M. Lenhoff, WQC's CEO and President, respectively.
- B. As discussed below, WQC offers to its clients (individuals, high net worth individuals, ERISA plans, charitable organizations, business entities, trusts and estates, etc.) combined investment advisory, financial planning, estate planning, and tax preparation services as described below.

### **INVESTMENT ADVISORY SERVICES**

WQC provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Client and WQC agree, in writing, to manage the Client portfolio toward one or more objectives including any unique preferences and restrictions. Thereafter, WQC will allocate investment assets consistent with the designated investment objectives. The investment objectives are guided by Asset Allocation Models as described below:

**All Equity**– The Model seeks long-term growth of capital. Current income is not a consideration. To pursue this goal, the Model normally invests 99% of its assets in underlying funds that invest primarily in equity securities. The Model offers instant and global diversification with exposure to a range of asset classes and investment styles.

**Aggressive Growth**– The Model seeks long-term growth of capital. Current income is also a consideration. To pursue this goal, the Model normally invests approximately 90% of its assets in underlying funds that invest primarily in equity securities, and approximately 10% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of asset classes and investment styles.

**Growth**– The Model seeks long-term growth of capital. Current income is also a consideration. To pursue this goal, the Model normally invests approximately 80% of its assets in underlying funds that invest primarily in equity securities, and approximately 20% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of asset classes and investment styles.

**Moderate Growth** – The Model seeks a balance between growth of capital and a high level of current income, with a greater emphasis on capital appreciation. To pursue this goal, the Model normally invests approximately 70% of its assets in underlying funds that invest primarily in equity securities and approximately 30% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of assets classes and investment styles.

**Growth & Income**– The Model seeks a balance between growth of capital and a high level of current income, with a greater emphasis on capital appreciation. To pursue this goal, the Model normally invests approximately 60% of its assets in underlying funds that invest primarily in equity securities and approximately 40% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of assets classes and investment styles.

**Balanced**– The Model seeks a balance between a high level of current income and growth of capital. To pursue this goal, the Model normally invests approximately 50% of its assets in underlying funds that invest primarily in equity securities and approximately 50% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of assets classes and investment styles.

**Income & Growth** – The Model seeks a balance between a high level of current income and growth of capital, with a greater emphasis on income. To pursue this goal, the Model normally invests approximately 40% of its assets in underlying funds that invest primarily in equity securities and approximately 60% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of assets classes and investment styles.

**Income Plus** – The Model seeks a high level of current income. Capital growth is also a consideration. To pursue this goal, the Model normally invests approximately 30% of its assets in underlying funds that invest primarily in equity securities and approximately 70% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of asset classes and investment styles.

**Income**– The Model seeks a high level of current income. Capital growth is also a consideration. To pursue this goal, the Model normally invests approximately 20% of its assets in underlying funds that invest primarily in equity securities and approximately 80% in underlying funds that invest primarily in fixed-income securities. The Model offers instant and global diversification with exposure to a range of asset classes and investment styles.

**All Bond**– The Model seeks a high level of current income and preservation of capital. Long-term growth of capital is not a consideration. To pursue this goal, the Model normally invests 100% of its assets in underlying funds that invest primarily in fixed-income securities. The Model offers instant diversification with exposure to a range of asset classes and investment styles.

**Conservative Bond**– The Model seeks preservation of capital. Long-term growth of capital is not a consideration. To pursue this goal, the Model normally invests 100% of its assets in underlying funds that invest primarily in fixed-income securities. The Model offers instant diversification with exposure to a range of asset classes and investment styles.

**Vanguard Variable Annuities**– For those clients who engage WQC to provide discretionary investment advisory services through its Vanguard Variable Annuity Advisory Program, WQC allocates client investment assets among the available Vanguard investment sub accounts guided by models created and maintained by WQC specifically for Vanguard Variable Annuities. The Vanguard models are managed in a similar fashion to the Asset Allocation Models listed above and offer instant and global diversification with exposure to a range of asset classes and investment styles.

**529 Plan and Education Accounts**– For those clients that engage WQC to provide discretionary investment advisory services for 529 plans or other accounts earmarked for education, WQC generally invests client investment assets in target-date or age-based investment vehicles that reflect the client's time horizon for education savings. The portfolios of these vehicles adjust

over time so that the closer the client is to needing the funds, the more conservative (less risky) the investment allocation becomes.

WQC primarily allocates client investment assets among stocks (preferred or otherwise), bonds, mutual funds, exchange traded funds ("ETFs") structured notes, option contracts, certificates of deposit, and other securities and/or contracts relating to the same. Once allocated, WQC provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

The client can determine to engage WQC to provide discretionary investment advisory services on a *fee* basis. WQC's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under WQC's management. Before engaging WQC to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with WQC setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

### **FINANCIAL PLANNING SERVICES**

WQC does not hold itself out as providing financial planning services separately from its primary service of investment management. To the extent specifically requested by the client WQC *offers* financial planning services to its investment management clients on investment and non-investment related matters, such as retirement planning, tax planning, insurance needs analysis, education funding, 401(k) allocation, etc. WQC shall not receive any separate or additional fee for any such consultation services unless specified in the signed Investment Advisory Agreement as described in Item 5A. Neither WQC, nor any of its representatives, serves as an attorney, and no portion of WQC's services should be construed as the same. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of WQC), WQC may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written agreement with the client.

To the extent requested by a client, WQC may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agent, etc.), including certain representatives of WQC in their individual capacities as licensed insurance agents as discussed in Item 10C. The client is under no obligation to engage the services of any such recommended professional. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify WQC if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising WQC's previous recommendations and/or services.

### **ESTATE PLANNING SERVICES**

To the extent requested by the client, WQC offers estate planning assistance as part of its investment advisory services for clients. WQC does not hold itself out as providing estate planning services separately from its primary service of investment management. Estate planning assistance generally includes estate plan review and estate document audit. Estate planning assistance should not be construed as legal advice.

For clients with AUM over \$500,000 WQC offers an annual estate planning subsidy/reimbursement for legal work performed by outside attorneys. When clients update or amend their estate documents and present WQC with the attorney's invoice, WQC will make payment to the attorney subject to the following:

- 1) For clients with AUM over \$500,000 WQC will annually offer to make payment up to \$250 to an estate attorney chosen by the Client
- 2) For clients with AUM over \$2,000,000 WQC will annually offer to make payment up to \$500 to an estate attorney chosen by the Client
- 3) Additionally, any unused annual subsidy accumulates for up to 4 years to a maximum subsidy of \$1,000 or \$2,000 respectively.

For new clients to WQC, estate planning subsidy/reimbursement in Year 1 is \$1,000 for Clients with AUM less than \$2,000,000 and \$2,000 for Clients with AUM over \$2,000,000. The Year 1 subsidy will not expire. However, once used, the new client will not be eligible for the annual \$250 or \$500 subsidy until 4 calendar years have passed.

Neither WQC, nor any of its representatives, serves as an attorney, and no portion of WQC's services should be construed as the same. To the extent requested by a client, WQC may recommend one or more attorneys for Client legal work. The Client is under no obligation to engage the services of any such recommended attorney. **Please Note:** If the Client engages any such recommended attorney, and a dispute arises thereafter relative to such engagement, the Client agrees to seek recourse exclusively from and against the engaged attorney.

#### **TAX RETURN PREPARATION.**

To the extent requested by the client, WQC offers tax return preparation at no charge as part of its investment advisory services for clients with AUM over \$250,000. WQC offers this same tax return preparation at no charge to the dependent children of clients with AUM over \$250,000. For client with AUM over \$2,000,000, WQC offers tax preparation to adult and dependent children at no charge. WQC does not hold itself out as providing tax return preparation services separately from its primary service of investment management. Tax return preparation includes:

- 1.) Individual income tax return preparation\*
- 2.) Estimated income tax payment calculations
- 3.) Payment vouchers.

Alternatively, in lieu of this tax return preparation, eligible clients may elect to have WQC make payment, of up to \$250, to a tax preparer chosen by the Client or the Client may choose to receive a free copy of Turbo Tax software. Clients with AUM below \$250,000 in supervised assets can also receive a free copy of Turbo Tax software or choose to have WQC prepare their individual income tax returns for a separate fee. For the \$250 reimbursement, Clients are asked to submit a copy of the tax preparer's invoice and copy of the tax return.

WQC shall not be required to verify the accuracy of any tax-related data received from the client. Advisor will prepare the tax filings based upon the data provided. WQC does not assume responsibility for the accuracy of such data, timely payments, or filings. Tax assistance will be conducted in accordance with the professional regulations set forth by Treasury Circular 230, AICPA Statements on Standards for Tax Services, and the Ohio Board of Accountancy. Unless authorized by law or with Client consent, WQC cannot use Client tax return information for purposes other than the preparation and filing of Client tax return. By signing the Investment

Advisory Agreement, Client consents to the use by WQC of any and all tax return information contained in the Client federal income tax returns for the purpose of providing other non-tax services as agreed upon in the Investment Advisory Agreement. The tax information may not be disclosed or used by WQC for any purpose other than that permitted by this consent document. WQC may not make our investment advisory services conditional upon consent to use tax return information within WQC. If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484 or by email at [complaints@tigta.treas.gov](mailto:complaints@tigta.treas.gov).

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

## **RETIREMENT PLAN SERVICES AND PENSION CONSULTING**

WQC offers plan design consulting, investment consulting, and education services to plan sponsors of ERISA and non-ERISA qualified retirement plans. The extent of the services is detailed in a separate Qualified Plan Consulting Agreement but generally include assistance in the following: investment management services, plan design, service provider benchmarking, education meetings for participants, and participant enrollment.

Investment management services are offered to both ERISA plans (i.e. 401(k), pension, profit-sharing) and non-ERISA plans (i.e. Simple IRA, SEP, solo-401(k)). Investment services offered include preparation of plan's Investment Policy Statement, evaluation of the plan investment choices, selection of investment line-up, and on-going monitoring. WQC will offer to serve plans in either a fiduciary, advisory capacity (ERISA 3(21)) or in a fiduciary, discretionary capacity (ERISA 3(38)). The details of which are specified in the Qualified Plan Consulting Agreement.

## **MISCELLANEOUS**

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

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



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

- C. WQC shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, WQC shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on WQC's services.
- D. WQC does not participate in or sponsor a wrap fee program.
- E. As of September 10, 2014, WQC had \$599,950,749 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

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

### INVESTMENT ADVISORY SERVICES

If a client determines to engage WQC to provide discretionary investment advisory services on a *fee* basis, WQC's non-negotiable, tiered annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under WQC's management as follows. Upon client request, family member accounts can be aggregated to achieve lower fee rates. Family aggregation applies to Investment Advisory fees only and does not extend to Financial Planning, Estate Planning, or Tax Preparation services:

Assets Under Management (AUM)	Annual Rate(s)
Assets between \$0 and \$250,000	1.40%
Next \$250,000	1.10%
Next \$500,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.60%
Next \$5,000,000	0.45%
Additional Assets above \$10,000,000*	negotiable

\* Annual Rate is subject to a 0.60% combined minimum fee

### BOND / ANNUITY ADVISORY FEES

If clients engage WQC to invest in Vanguard Variable Annuities and/or Portfolios in the All Bond model, assets in those accounts will be charged a non-negotiable annual advisory fee of 0.75% *in lieu of* the fee schedule above. However, in the event that a client's AUM, when combined with bond and annuity assets, would achieve a lower rate than 0.75%, that client's fee will be reduced to comport with the fee schedule above.



If clients engage WQC to invest in Municipal Bond Portfolios and Conservative Bond Model Portfolios, assets in those accounts will be charged a non-negotiable annual advisory fee of 0.50% *in lieu of* the fee schedule above. However, in the event that a client's AUM, when combined with municipal and conservative bond assets, would achieve a lower rate than 0.50%, that client's fee will be reduced to comport with the fee schedule above.

### **FINANCIAL PLANNING FEES**

In addition to the fee schedule above, and **for new clients only**, WQC may charge a non-negotiable financial planning fee based upon the market value of the assets placed under WQC's management as follows:

<b>Market Value of Portfolio Under Management</b>	<b>Financial Planning Fee</b>
Assets \$300,000 or less	\$3,000
Between \$300,000 and \$400,000	\$2,000
Between \$400,000 and \$500,000	\$1,000
Assets of \$500,000 and above	WAIVED

As specified in the Investment Advisory Agreement, new clients are offered the following Services in exchange for the above named fee. Clients with AUM less than \$500,000 are offered the following Services for 3 years in exchange for their financial planning fee. Clients with AUM over \$500,000 are offered the Services on an on-going basis and the financial planning fee is waived.

Financial Planning Service: see details in Item 4B.

Estate Planning Service: see details in Item 4B.

Tax Return Preparation Service: see details in Item 4B.

- B. Clients may elect to have WQC's advisory fees deducted from their custodial account. Both WQC's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of WQC's investment advisory fee and to directly remit that management fee to WQC in compliance with regulatory procedures. In the limited event that WQC bills the client directly, payment is due upon receipt of WQC's invoice. WQC 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, WQC shall generally recommend that TD Ameritrade ("*TD Ameritrade*") or Charles Schwab and Co., Inc. ("*Schwab*"), or similar national brokerage institution *to* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *TD Ameritrade* and *Schwab* charge brokerage commissions and/or transaction fees for affecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to WQC's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. WQC'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. WQC, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

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

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

## **Item 7            Types of Clients**

WQC's clients shall generally include families, high net worth individuals, pension and profit sharing plans, charitable organizations, business entities, trusts and estates. WQC recommends a \$50,000 minimum asset level for investment advisory services though no specific minimum asset level is required. WQC, in its sole discretion, may reduce its minimum asset requirement and/or charge a lesser investment management fee based upon certain criteria (i.e. related accounts, anticipated future additional assets, future earnings, negotiations, etc).

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

- A. WQC may utilize the following methods of security analysis:
- Fundamental –(analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

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

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

WQC's Investment Committee researches securities and economic data. The Investment Committee combines their research into a cohesive investment strategy. This strategy is deployed into various Allocation Models. The Allocation Models (as listed in Item 4B) range from All Equity to Conservative Bond and carry varying types of risk (i.e. market risk, interest rate risk, default risk, inflation risk, etc). The Asset Allocation Models are monitored and maintained across multiple custodians, platforms, and investment services (TD Ameritrade, Schwab, Vanguard, Education 529 plan accounts, and ERISA plan custodians). Asset allocation does not guarantee against losses, but it attempts to minimize portfolio risk.

WQC's Asset Allocation Models are applied to Client portfolios with the following guidelines.

- Fact Gathering – at the onset of a client relationship, WQC, through its representatives, shall obtain from the Client information sufficient to determine the Client's financial situation and investment objectives.
- Investment Policy Statement – Client, with input from WQC representatives, agrees, in writing, to investment objective and parameters for the Client portfolio. Client may impose reasonable restrictions as part of this document at any time.
- Quarterly Notice – at least quarterly WQC shall notify the client to advise WQC 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.
- Annual Invitation – at least annually, WQC shall invite 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.
- Consultation Available – WQC shall be reasonably available to consult with the client relative to the status of the portfolio.
- Quarterly Report – the Client shall be provided with a quarterly report for the account for the preceding period.
- Separate Account - a separate account is maintained for the client with the Custodian;

**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 WQC) will be profitable or equal any specific performance level(s).

- B. WQC'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 WQC must have access to current/new market information. WQC has no control over the dissemination rate of market information; therefore, unbeknownst to WQC, certain analyses may be compiled with outdated market information, severely limiting the value of WQC'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.

WQC's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment

time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

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

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by WQC 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 WQC 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 WQC. 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 WQC 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 WQC 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 WQC, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. WQC primarily allocates client investment assets among mutual funds, ETFs, stocks (preferred or otherwise), bonds, structured notes, option contracts, certificates of deposit, and other securities and/or contracts relating to the same.

## **Item 9            Disciplinary Information**

Neither WQC, nor its representatives, have been the subject of any disciplinary actions.

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

- A. Neither WQC, 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 WQC, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Insurance Agency/Agents:** WQC's affiliated company, Wealthquest Insurance Advisors, LLC, is a licensed insurance agency. In addition, certain of WQC's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of WQC's representatives to purchase insurance products on a commission basis.

**Conflict of Interest:** The recommendation by WQC's representatives that a client purchase an insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from WQC's representatives. Clients are reminded that they may purchase insurance products recommended by WQC through other, non-affiliated insurance agents. **WQC's Chief Compliance Officer, Stephen P. King, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. WQC 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. WQC maintains an investment policy relative to personal securities transactions. This investment policy is part of WQC's overall Code of Ethics, which serves to establish a standard of business conduct for all of WQC's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.  
  
In accordance with Section 204A of the Investment Advisors Act of 1940, WQC also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by WQC or any person associated with WQC.
- B. Neither WQC nor any related person of WQC recommends, buys, or sells for client accounts, securities in which WQC or any related person of WQC has a material financial interest.
- C. WQC and/or representatives of WQC *may* buy or sell securities that are also recommended to clients. This practice may create a situation where WQC and/or representatives of WQC 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 WQC 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 WQC's clients) and other potentially abusive practices.

WQC has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of WQC's "Access Persons". WQC's securities transaction policy requires that an Access Person of WQC 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 WQC selects; provided, however, that at any time that WQC has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. WQC and/or representatives of WQC *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where WQC and/or representatives of WQC 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, WQC has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of WQC's Access Persons.

## **Item 12      Brokerage Practices**

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

Factors that WQC considers in recommending *TD Ameritrade* and/or *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with WQC, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by WQC's clients shall comply with WQC'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 WQC determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although WQC 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, WQC's investment management fee. WQC'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. TD Ameritrade Institutional Customer Program

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

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

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

WQC may receive client referrals from *TD Ameritrade* through its participation in *TD Ameritrade AdvisorDirect* ("*AdvisorDirect*"). In addition to meeting the minimum eligibility criteria for participation in *AdvisorDirect*, WQC may have been selected to participate in *AdvisorDirect* based on the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for,



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

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

In addition, WQC may receive additional benefits from participation in *AdvisorDirect*. There is no direct link between WQC's participation in the program and the investment advice it gives to its clients, although WQC receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. These benefits include the receipt of duplicate client statements; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to WQC by third party vendors. The benefits received by WQC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. As part of its fiduciary duties to clients, WQC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by WQC or its representatives creates a conflict of interest.

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

#### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, WQC may receive from *TD Ameritrade* and/or *Schwab* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist WQC to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by WQC 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 WQC 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 WQC in managing and administering client accounts. Others do not directly provide such assistance, but rather assist WQC to manage and further develop its business enterprise.

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

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

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

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

3. WQC 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 WQC 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 WQC. 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 WQC 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 WQC.

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

- B. To the extent that WQC provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless WQC decides to purchase or sell the same securities for several clients at approximately the same time. WQC 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 WQC'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. WQC 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 WQC provides investment supervisory services, account reviews are conducted on an ongoing basis by WQC's Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise WQC of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with WQC on an annual basis.
- B. WQC *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. WQC may also provide a written periodic report summarizing account activity and performance.

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

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

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

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

- B. If a client is introduced to WQC by either an unaffiliated or an affiliated solicitor, WQC *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisors Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from WQC's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to WQC 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 WQC'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 WQC and the solicitor, including the compensation to be received by the solicitor from WQC.

## **Item 15            Custody**

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

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

## **Item 16            Investment Discretion**

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

**Item 17      Voting Client Securities**

- A. Unless the client directs otherwise in writing, WQC is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). WQC shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. WQC shall monitor corporate actions of individual issuers and investment companies consistent with WQC's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which WQC will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, WQC may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), WQC may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. WQC shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Investment Advisors Act of 1940. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how WQC voted on any specific proxy issue is also available upon written request. Requests should be made by contacting WQC's Chief Compliance Officer, Stephen P. King.
- B. As set forth in Item 17.A above, WQC votes client proxies.

**Item 18      Financial Information**

- A. WQC does not solicit client fees six months or more in advance.
- B. WQC 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. WQC has not been the subject of a bankruptcy petition.

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