



**Firm Brochure  
(Part 2A of Form ADV)**

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This Firm Brochure provides information about the qualifications and business practices of WealthStone, Inc. If you have any questions about the content of this brochure, please contact us by telephone at 614-267-2600 or email at [info@wealthstone.net](mailto:info@wealthstone.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

This brochure contains information required by regulatory authorities. Additional information about WealthStone is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

WealthStone offers a broad range of financial services. Not all of the information in this brochure will apply to every client.

## Item 2      Material Changes

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### **Material Changes since the last update on March 21, 2016**

There has been a material change to our brochure since the last filed update on March 21, 2016.

- WealthStone Equities has been deregistered as a broker dealer with FINRA effective January 7, 2017.

In the future, this section will discuss specific material changes that are made to the Brochure and provide a summary of any changes.

In the past we have offered or delivered information about our qualifications and business practices to clients at least annually. Pursuant to the Final Rule, we will send you a summary of any material changes to this and subsequent Brochures by April 30<sup>th</sup> of each year. We may provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Our brochure may be requested by contacting us at 614-267-2600 or [info@wealthstone.net](mailto:info@wealthstone.net).

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## **Item 4      Advisory Business**

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WealthStone, Inc. was started in 1977 by James H. Wyland. Currently WealthStone is owned by James H. Wyland, and Paul J. Breen (not equally). Our principal place of business is Columbus, Ohio. We also have an office in Hilton Head, South Carolina.

Our firm offers the following types of advisory services to our clients:

- Financial Planning
- Estate Planning
- Tax Services
- Insurance Consulting Services
- Pension Plan Consulting
- Investment Management
- Selection and Reporting on Other Investment Managers
- Business Consulting Services

Not all clients receive all of the services described above. WealthStone is a fee only advisory and planning firm. Services are provided based upon individually agreed upon engagements.

### **Financial Planning**

We offer Financial Planning Services. Financial planning may be either a limited or comprehensive evaluation of a client's current and future financial state by using currently known client information to predict future cash flows and asset values. Through the financial planning process, a client's questions, information and analysis are considered as they impact and are impacted by the financial and life situation of the client. Clients purchasing this service receive access to our web-based planning system which provides a financial platform to help the client achieve his or her financial goals and objectives.

A financial plan may address any or all of the following areas: financial goals, personal net worth, cash flow, tax planning, insurance needs, estate analysis, retirement planning, portfolio review, educational planning, and charitable giving.

Not all financial planning clients receive all of the services described above. Services are provided based upon individually agreed upon engagements.

### **Estate Planning**

Estate planning can include an initial estate analysis and subsequent assistance with implementation of the estate plan. In the initial analysis, the current estate documents (wills, trusts, other agreements)

are analyzed and a projected estate tax liability is calculated. We make estate planning recommendations according to the client's goals and objectives.

A client may engage our firm to assist with the implementation of their estate plan and work with their professional advisors. If requested, our firm will facilitate the communication of a client's revised estate plan to any designated family members or charitable beneficiaries.

### **Tax Services**

We offer to prepare Federal and State income tax returns from information clients furnish to us. We are available to answer inquiries on specific tax and financial matters and to consult with or assist on financial, income, and business planning matters.

### **Insurance Consulting Services**

We may analyze a client's need for life, disability and long-term care insurance and recommend amounts and types of policies. In addition, we offer analysis and review of a client's existing life insurance policies, including how those policies compare to other life insurance policies available.

### **Pension Consulting Services**

We offer advisory services to qualified and non-qualified retirement and deferred compensation plans. Services can be tailored to client requirements. WealthStone recognizes its fiduciary role under ERISA when applicable. Clients may choose to use any or all of the following services:

1. Investment Policy Statement preparation or review: Determining an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan.
2. Selection or Review of Investment Vehicles: We assist plan sponsors in constructing appropriate asset allocation models (or review existing models) and recommend various mutual funds (both index and managed) to implement the client's investment strategy.
3. Monitoring of investment performance of plan assets.
4. Employee Communications: Periodic general investment educational support designed for the plan participants.

### **Investment Management**

WealthStone offers management of investment accounts on a discretionary or non-discretionary basis.

#### **Model Portfolio Management**

For clients using our investment management services on a discretionary basis, we use asset allocated model portfolios. Each model portfolio is designed to meet a particular investment

goal. Models are classified according to relative risk (conservative, balanced, aggressive, etc.). Custom allocation models may be established for individual clients.

Selection of a model is guided by the client's written investment policy statement as well as tax considerations. Through personal discussions with the client and risk assessment, the client's goals and objectives are established. We then determine which model portfolio is suitable to the client's circumstances. Once we determine the suitability of the portfolio, we manage the portfolio based upon the model portfolio's goal, rather than according to each client's individual needs. Clients may be given the ability to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our model portfolios may include mutual fund securities, exchange traded funds ("ETFs"), and limited partnerships.

For clients using our investment advisory services on a non-discretionary basis, we meet with them to develop a written investment policy statement based on their goals and objectives as well as risk tolerance. We then make investment recommendations for them to implement with their custodian.

### **Selection and Reporting on Other Investment Managers**

We also offer our WealthStone Armada consulting services to clients through our selection and monitoring of other investment managers. The service is generally available only to clients with assets in excess of \$10 million.

The process includes developing a written investment policy statement for the client. Then we assist the client with interviewing other investment managers. After the investment managers are selected, the assets are invested by WealthStone and by the other investment managers according to the investment policy statement. Assets would typically be held by 2 or 3 custodians. For reporting purposes we will aggregate assets held by all investment managers and report on a periodic basis, not less than quarterly.

### **Other Investment-Related Comments**

Services received by one client may vary from the services received by another client. Factors such as client risk tolerance, time horizon, investment objectives, account size and other client assets will affect the services received and fees charged.

Our firm publishes a quarterly newsletter providing general information on investment topics. In addition, we provide periodic newsletters via e-mail covering investment and market related topics. Newsletters are distributed free of charge to clients.

### **Business Consulting Services**

WealthStone may directly assist a client in the sale of their business. We may engage other non-affiliated professionals or firms to consult on and assist in providing these services. Clients can also receive business consulting services including, but not limited to, current business operational issues, tax consulting, and business succession planning.

### **Other Client Services**

We also offer cash flow planning and entity management (generally helping with the administration of family partnerships). WealthStone may offer other financial-related consulting services not specifically described in this brochure.

### **Amount of Managed Assets**

As of 12/31/2016, WealthStone was actively managing \$536,360,000 of client assets on a discretionary basis and currently no assets on a non-discretionary basis. The amount of assets managed will fluctuate daily.

## **Item 5 Fees and Compensation**

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### **Fees for Investment Management Services**

For investment management service, WealthStone's basic fee schedule is based on a percentage of assets, as follows:

- 1.00% on the first \$2 million of the market value
- 0.75% on the next \$3 million
- 0.50% on the next \$5 million
- 0.40% on the next \$15 million
- 0.30% on the next \$25 million
- 0.25% on the next \$50 million
- 0.20% on values over \$100 million

Generally our fee is payable quarterly in advance based on the market values on the last day of the previous quarter. Such fees are generally deducted directly from the client's investment account. However, these fees may be billed via invoice to the client and paid by check if the client so chooses.

Clients with more than one account may have their accounts grouped together and then billed based on the total value of all of their accounts. New accounts or deposits to existing accounts in excess of \$100,000 are charged a pro-rated fee based on when the money was first invested during the quarter and when we start managing it. A partial quarterly fee is calculated based on the number of days remaining in the quarter divided by the number of days in the quarter. If a client terminates their



advisory service during a quarter it is our policy to refund the unused amount of that quarter's advisory fee.

Clients with assets under management on 12/15/2010 may be charged fees based on the fee schedules in effect on that date, which are different than our current fee schedule. A WealthStone employee is not charged a fee for investment advisory service. A charitable organization (501(c)(3)), an ordained minister or a WealthStone employee's immediate family member may be charged a reduced fee.

WealthStone's fees are in addition to the fees that the client pays indirectly through management fees that mutual funds, limited partnerships, LLC's and managers of separate accounts charge. Clients may incur brokerage and other transaction costs charged by the broker dealer or custodian or may incur early redemption fees charged by certain no load mutual funds.

### **Fees for Other Financial Services**

WealthStone generally charges an hourly fee for financial planning, tax planning, tax return preparation and other services rendered to the client. The types of services to be provided are set forth in a written Agreement for Services and vary by client. Our hourly fees range from \$52/hour for administrative staff time up to \$500/hour for professional staff time. The fee is invoiced and due upon completion of services; progress billing may be made in certain situations. The client may request in writing that such fees be deducted from the client's investment management account, if held at Schwab. This type of arrangement usually lasts for one year or longer. However, the arrangement may be terminated by either WealthStone or the client with written notification.

We also provide family wealth advisory services to families whose net worth is usually in excess of \$10,000,000. Such services for each member of the family may include identifying specific financial goals, developing investment strategies, monitoring the financial plan and asset performance, recommending and implementing changes to plans or asset allocations. We charge a negotiated fee for this service. The negotiated fee is fixed for a year. This fee arrangement is not available to other clients.

WealthStone charges clients utilizing the WealthStone Armada consulting services a quarterly fee, in addition to the fee for investment management services, for providing a comprehensive multi-advisor investment solution that includes: (1) Universal Investment Policy Statement, (2) Investment advisor Selection Process, and (3) consolidated reporting on all assets. The fee is based on total assets managed by all investment advisors, which potentially could include WealthStone.

Affiliates of WealthStone may receive compensation in the form of commissions or 12b-1 fees from products purchased by clients of WealthStone. See **Item 10** for additional discussion.

### **Limited Negotiability of Advisory Fees**

Although WealthStone has established a basic fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. The client facts, circumstances and needs considered in determining the fee schedule include assets under management, anticipated future assets, account composition, reporting and complexity of the project among other factors. The specific fee schedule is identified in the Investment Management Agreement and/or Agreement for Services between WealthStone and each client.

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

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WealthStone does not charge performance-based fees.

## **Item 7      Types of Clients**

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WealthStone provides advisory services to the following types of clients:

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

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

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### **Methods of Analysis**

In making investment recommendations, our Chief Investment Officer (“CIO”) considers:

- Fundamental economic data
- Trend and technical market indicators
- Investment manager relative value

Our Investment Committee approves portfolio allocation recommendations developed by our CIO. In formulating our investment advice and /or managing client portfolios, our security analysis may include charting, fundamental analysis, technical analysis, cyclical analysis, quantitative analysis, qualitative analysis, mutual fund and/or ETF analysis, and third-party money manager analysis. We also rely on financial newspapers, professional journals and other published materials as well as information from our research partners, Dimensional Fund Advisors (DFA) and LPL FINANCIAL/Fortigent.

The type of analysis used for specific investment decisions will vary. The recommendation of a specific security (e.g. mutual fund) would employ different research and analysis than would the evaluation of a general asset class such as large-cap equities.

### **Investment Strategies**

WealthStone's primary approach for client portfolios is recommending investment strategies based upon information relating to using diversified investment styles, multiple assets classes, and multiple investment managers to construct model portfolios that have various risk/return characteristics.

We construct model portfolios for clients. At the client's discretion, some of the models used with clients may not consider a client's outside assets, and some portfolios may be customized to consider the client's outside assets.

Specific portfolios recommended to a client are selected to be consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

Portfolios are managed employing a strategic asset allocation with portfolios primarily utilizing factor based mutual funds. Tactical allocation may be utilized. Assets will be re-balanced among the basic asset classes as well as sub asset classes based on our interpretation of economic data.

### **Risk of Loss**

While we analyze past and future expected events, we recognize that future events cannot be predicted with certainty. Future risks that may affect the values of client portfolios include interest rate risk, market risk, inflation risk, currency risk, reinvestment risk, business risk, liquidity risk, world events such as terrorism, governmental economic policy environment, and other systemic risks.

We believe that the best way to address these risks is by constructing diversified asset-allocated portfolios for our clients and remaining disciplined through full market cycles.

Our analysis methods rely on the assumption that the third-party and publicly-available sources of information upon which we make investment decisions contain accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Call Risk** – Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a “call feature”. Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

**Credit Risk** – Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. This risk may also impact the “spread” or yield premium that these bonds require over low risk reference securities. Even if bonds do not default, investors fear of default may lead to fluctuations in this spread that act much like rises and falls in interest rates. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor’s are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

**Foreign Securities Risk** – Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

**Interest Rate Risk** – Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

**Liquidity Risk** – Liquidity risk exists when a particular security or vehicle is difficult to trade. A mutual fund’s investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all. Similarly, the investment vehicle used to access alternative investments may itself be illiquid.

**Objective/Style Risk** – All of the mutual funds and investment managers are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund or manager invests will trail the returns of the overall market.

**Risk of Loss** – Investing in securities involves risk of loss that clients should be prepared to bear. Securities and investments are not guaranteed and clients may lose money on their investments. We ask that clients work with us to help us understand their tolerance for risk.

**Stock Market Risk** – Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

**Third Party Investment Management Risk** – WealthStone will not have a role in the management of clients' third-party managed accounts and it will likely not have the opportunity to evaluate in advance the specific investments made by any third-party managers. As a result, the rates of return to clients could significantly depend upon the choice of investments and other investment and management decisions of third-party managers and returns could be adversely affected by unfavorable performance of such managers.

**U.S. Government Agency Securities Risk** – Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

## **Item 9      Disciplinary Information**

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Neither WealthStone nor any employee has been involved in any legal or disciplinary event that would be material to a client's evaluation of the company or its personnel.

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

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### **Relationship with Charles Schwab ("Schwab")**

WealthStone uses Schwab as the custodian for client assets for which WealthStone provides discretionary asset management services. Schwab is an independent and unaffiliated broker-dealer. See **Item 12, Brokerage Practices**, for a more detailed description of the relationship with Schwab.

### **Relationship with DFA and LPL Financial/Fortigent**

WealthStone uses DFA and LPL Financial/Fortigent, other investment advisors, to assist in the analysis of investments and development of investment strategies. DFA and LPL Financial/Fortigent collectively provide quarterly investment newsletters. WealthStone pays a quarterly fee to LPL Financial/Fortigent for such information. In addition, the relationship with LPL Financial/Fortigent decreases fees that Charles Schwab would otherwise charge to clients of WealthStone for transactions on the Schwab platform.

**Relationship with WealthStone Insurance Consultants, Inc.**

WealthStone owns 100% of WealthStone Insurance Consultants, Inc. (“WIC”), a corporation licensed to sell life, health and disability insurance, and annuities. Clients of WealthStone may purchase insurance or annuities from WIC or Douglas M. Sheffield, a registered representative; however, they are under no obligation to do so. WIC or Douglas M. Sheffield will earn a commission from the sale of such products. To the extent that WealthStone recommends insurance products as part of the implementation of a financial plan, there is a potential conflict if WIC or Douglas M. Sheffield executes that transaction.

**Relationship with WealthStone Equities, Inc.**

WealthStone owns 100% of WealthStone Equities, Inc. (“WE”), an unregistered Broker Dealer. WE may offer fixed life insurance, and fixed annuities to clients of WealthStone. However, clients are under no obligation to use WE for such purchases. If clients purchase such products from WE, WE will earn a commission from the sale. It is the internal procedure of WealthStone to disclose such possible conflicts of interest to clients prior to the sale of any product. Clients are informed of such conflicts in our Agreement for Services.

**Relationship with Everhart Financial Group, Inc**

WealthStone (and affiliates) has established a relationship with Everhart Financial to utilize their Retirement Plan Advisory Services for our 401k plan clients. If Everhart provides any 401k advisory service as a result of such referral and earns compensation, WealthStone will receive compensation from Everhart. Similarly, if Everhart refers any of its clients to WealthStone and such clients purchase service or products from WealthStone or any of its affiliates as a result of such referral, WealthStone will pay compensation to Everhart. The fees charged to or commissions paid by such clients will not be increased as a result of such referral relationship. The potential for compensation creates a possible conflict in making the referral to Everhart. Clients are under no obligation to use the company to which they were referred.

**Relationship with Fifth Avenue Advisors and Magnus Capital Management**

WealthStone has a relationship with Fifth Avenue Advisors and its wholly owned subsidiary, Magnus Capital Management. WealthStone receives a quarterly consolidated reporting fee from Fifth Avenue Advisors for its clients that utilize WealthStone Armada consulting services. The fee is based on total assets managed by all investment advisors, which potentially could include WealthStone.

**Relationship with Sponsor of Real Estate Syndications**

Two officers of WealthStone, James H. Wyland and Paul J. Breen, own 100% of PPC Investment Management, Inc. (“PPCIM”), a company that serves as a special limited partner (with a financial interest) for real estate and oil and gas limited partnerships. Two officers of WealthStone, James H. Wyland, and Paul J. Breen, also own 83.33% of PPCIM II, LLC, a company that has served as an

administrative member (with a financial interest) in real estate limited liability companies in which clients have invested.

In the past, WealthStone received a monthly fee from PPCIM and PPCIM II for management services provided; however, no such fee is currently being paid.

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

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WealthStone has adopted a Code of Ethics (“COE”), which requires, among other things, that Employees:

- Place the interests of clients first;
- Keep client information confidential;
- Try to avoid any actual or potential conflict of interest; disclose all material facts when a conflict does arise;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use independent professional judgment when conducting investment analysis, making investment recommendations and taking investment actions, and engaging in other professional activities;
- Comply with applicable provisions of the federal and state securities laws.

To avoid potential conflicts of interest involving personal trades, WealthStone’s COE also requires supervised persons to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide WealthStone with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and at least annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of WealthStone’s COE is available to any client or prospective client upon request.

## **Item 12 Brokerage Practices**

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For Investment Management clients over which WealthStone exercises discretionary authority WealthStone, Inc. recommends the establishment of an investment account with Charles Schwab & Co., Inc. (“Schwab”), an independent and unaffiliated broker-dealer. Using Schwab to custody your assets meets the regulatory requirement that your assets are held at a “qualified custodian”. WealthStone’s objective in recommending Schwab is to obtain the best selection of no-load mutual funds, the most efficient reporting of client transactions, and/or the best combination of commission cost and execution capability. WealthStone’s commission schedule with Schwab for its client accounts

is lower than the commission schedule offered by Schwab to its retail clients. However, this fee schedule may be higher than those available from other brokers for similar services. To the extent that WealthStone or its employees maintain accounts at Schwab, they realize the benefits of this favorable commission structure and execution capabilities.

WealthStone subscribes to certain electronic information services offered by Schwab. The primary services to which the firm subscribes are the capability to: (1) direct Schwab via electronic means to purchase and sell securities in client accounts; (2) electronically produce copies of Schwab forms and applications; receive copies of client trade confirmations via electronic means; (3) receive via electronic means certain account status reports; (4) download daily account transactions for all client accounts via electronic means that is acceptable to WealthStone's portfolio management software; (5) download the daily closing prices of all security positions held in client accounts via electronic means in a format that is acceptable to WealthStone's portfolio management software. Schwab charges a quarterly fee for these services. However, for WealthStone clients these fees are waived by Schwab.

The waiver of fees for electronic information services is available to all investment advisors that meet the criteria. Neither the commission schedule negotiated between WealthStone and Schwab on behalf of clients of the firm, nor the level of commissions generated in client accounts at Schwab are a factor in Schwab's election to waive its fees. However, a conflict of interest may exist since a condition of the fee waiver is that aggregate accounts at Schwab for which WealthStone provides Investment Advisory Services must have a certain combined minimum value.

Schwab may also provide WealthStone with information and consulting services intended to help WealthStone manage and further develop its business enterprise. These services may include educational conferences and events, information technology consulting, regulatory compliance publications and mock regulatory inspections and internal control reviews by an independent third party. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to WealthStone. The availability to WealthStone of the foregoing products and services is not contingent upon WealthStone committing to Schwab any specific amount of business (assets in custody or trading).

For accounts of WealthStone's clients maintained at Schwab, Schwab will not charge the client separately for custody but will receive compensation from WealthStone clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab.

Clients who use a broker-dealer other than Schwab (a non-discretionary account) should understand that (a) WealthStone will generally not attempt to negotiate commissions with a designated broker-dealer; (b) clients may pay higher commissions; and (c) clients may not have the same selection of mutual funds or have as efficient execution as they might have had they not made such designations.



Any trade errors identified will be corrected to ensure each client is made whole as if the error did not occur. If a loss occurs greater than \$100, WealthStone will cover the loss, while Schwab will cover the loss if it is less than \$100. Transactions executed to correct an error resulting in a gain will remain in the affected client account unless the same error involved other client accounts that should receive the gain or it is not permissible for a client to retain the gain. If a client cannot retain the gain, Schwab will donate any amount over \$100 to charity and keep any portion less than that amount to minimize and offset administrative expenses related to correcting the error.

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating Clients. All Clients participating in each aggregated order shall receive the average price and subject to minimum ticket charges, pay a pro-rata portion of commissions if any.

WealthStone may use other qualified custodians as needed for select clients in special circumstances.

## **Item 13      Review of Accounts**

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### **Investment Management Accounts**

**Reviews:** Jordan Acer, Director of Investment Operations, coordinates the review of all investment accounts at least annually (and with any large deposit or withdrawal) to determine if they should be rebalanced and if they are in compliance with the client's current investment policy statement.

The review of a client's investment account, their investment objectives, the continued appropriateness of the investment strategy selected by the client and the client's tolerance for risk are reviewed with the client on a schedule which is jointly agreed upon between the client and the advisor who is responsible for the relationship with the client.

Reviews of the investment positions contained in a client's account are conducted as is necessary. The performance of all securities which are owned in a client's account in conjunction with a given investment strategy is reviewed on a timetable that is consistent with the objectives of the strategy. If a change of investment position is dictated in a client's account and WealthStone has discretionary authority to direct trades, then WealthStone gives instructions to Schwab to execute the appropriate trades. These instructions are given without prior consultation with the client. If a change of investment position is dictated in a client's account and WealthStone does not have the discretionary authority to direct trades in that account, then the client is responsible to provide investment instructions to their custodian broker, investment company or insurance company.

In addition to confirmations of purchases and sales and monthly account statements that clients receive from the custodian of their accounts, all investment advisory clients are furnished with a

performance report of their portfolio assets by WealthStone at the end of each calendar quarter. Additional reports relative to account performances and transactions are provided on a client by client basis as needed or requested.

### **Financial Planning and Other Services**

**Reviews:** Reviews may occur at different stages depending on the nature and terms of the specific engagement. Formal reviews may be conducted for financial planning clients depending upon the specific arrangement with the client. Such reviews may be conducted by James H. Wyland, Paul J. Breen, Douglas M. Sheffield, or other credentialed WealthStone staff members. In general, such reviews would be conducted at least annually.

**Reports:** Financial planning clients will generally not receive a written report. Clients have access to our internet based financial planning platform through which they can view their reports online. The investment values in these reports are generally updated daily. The client will receive a written report if WealthStone was engaged for a specific purpose or if the client specifically requests a written report.

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

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WealthStone has from time to time entered into written agreements with other unrelated third parties ("solicitors") to use their best efforts to solicit and refer clients which they believe are suitable and appropriate for the advisory services provided by WealthStone. These agreements provide for a percentage of fees collected from the "solicited" clients to be paid to the solicitors. Such arrangements are disclosed in writing to the prospective client when the client engages WealthStone for advisory services.

WealthStone charges the clients introduced by such solicitors the same fee that it would charge a new client that comes directly to WealthStone without the benefit of a solicitor. Such solicitor agreements are for an unspecified duration and are terminable upon written notice.

WealthStone also has a client referral arrangement with Everhart Financial Group, Inc., which is discussed under **Item 10**.

WealthStone receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above in **Item 12**. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Item 15      Custody**

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WealthStone does not take physical custody of client funds or securities. Client securities are held by mutual fund groups, variable annuity contracts, Schwab, banks, or other qualified custodians.

WealthStone can access many clients' accounts through its ability to debit advisory fees in client accounts which are held in custody by Schwab, an unaffiliated broker-dealer. For this reason WealthStone is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements and should compare these statements to any account information provided by WealthStone.

For some clients, WealthStone has access to client user id's and passwords for certain websites. Such information is used by an independent asset aggregation system (eMoney) to report asset values on a daily basis. In addition, some affiliated persons are trustees (and in one situation an affiliate holds a POA for a parent) for client irrevocable trusts. As a result, WealthStone is deemed to have custody of those particular client accounts, and pursuant to the custody rules, WealthStone undergoes a surprise exam annually by GBQ Partners, an independent accounting firm.

## **Item 16      Investment Discretion**

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WealthStone is typically granted discretion by limited power of attorney to select the amount of and nature of securities which are purchased and sold to implement investment strategies selected by client for whom WealthStone provides continuous asset management. In some instances, margin balances may be initiated by the client either through securities purchases or by wire, journal, moneylink or check for an amount which is greater than the cash available in the account.

A client may request restrictions be applied to the management of their account. Due to the additional care required by client accounts for which restrictions have been applied, WealthStone will typically execute transactions for these accounts after transactions have been submitted for accounts without such restrictions.

## **Item 17      Voting Client Securities**

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WealthStone will not exercise proxy or class action voting authority over client securities. The obligation to vote client proxies and class actions will remain with the client. Client may contact WealthStone for advice or information about a particular proxy or class action vote. However, WealthStone will not actually vote on such proxy or class action.

If WealthStone inadvertently receives proxy or class action information for a security held in a client's account, then WealthStone will forward such information on to Client, but will not take any further action with respect to the voting of such proxy or class action. Upon termination of its Agreement with client, WealthStone shall make a good faith attempt to forward proxy or class action information inadvertently received by WealthStone on behalf of client to the forwarding address provided by client to WealthStone.

## **Item 18      Financial Information**

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WealthStone has never filed for bankruptcy. WealthStone has no financial information to report that would prevent WealthStone from providing services to its clients. WealthStone does not require prepayment of fees more than six months or more in advance for any services provided.

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Name	Education	Professional Designation/ Licenses	Business Background/ Other Business Activities
Paul J. Breen	University of Notre Dame South Bend, Indiana - B.A.	CPA, PFS Series 7, IB	♦WealthStone, Officer, 1983 - Present ♦Breen and Associates, CPA 1983 - 2016
Christian F. Hviid	♦The American University, Washington, DC -MS Finance, BS Business Administration	CFA Series 4, 7, 24, 66	♦WealthStone, Chief Investment Officer, 2016 - Present ♦Point Guard Capital, Chief Investment Strategist, 2011-2015 ♦Genworth Financial Asset Management, Chief Market Strategist 2005-2011
Douglas M. Sheffield	♦Ohio Wesleyan University, Delaware, OH - B.A. ♦The Ohio State University, Columbus, OH - J.D.	CPA, Attorney Series 7, 24, 27, 63, IB Life, Health, Property, Casualty Insurance Licenses	♦WealthStone, Financial Advisor 1984 - present; Officer 1990-2016
Brian R. Stertz	Capital University Columbus, OH - B.S. in Accounting	CFP®, CPA (inactive)	♦WealthStone, Officer, 2006 - present ♦Dawson Resources, Inc., Human Resources/President 2004 - 2006 ♦Self Employed, Financial Consulting/Owner 1997 - 2004
James H. Wyland	The Ohio State University Columbus, OH - B.A.	CLU, ChFc Series 7, 63, IB	♦WealthStone, Officer, 1977 - present

See pages 2-3 for an explanation of education, professional designations, and licenses.

#### **DISCIPLINARY INFORMATION**

No employee of WealthStone has been involved in any disciplinary event that would be material to a client's evaluation of such employee.

Education Degrees	Definition	Explanation
B.A.	Bachelor of Arts	An undergraduate academic degree awarded for completed courses in either the liberal arts, the sciences, or both.
B.S.	Bachelor of Science	An undergraduate academic degree awarded for completed courses.
M.S.	Master of Science	A post graduate academic degree awarded by universities.
J.D.	Juris Doctor	A post graduate academic degree in the study of law.

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**Professional Designations**

CFP®	Certified Financial Planner	<p>The Certified Financial Planner™ (CFP®) designation is awarded by the Certified Financial Planner Board of Standards, Inc. CFP® Professionals must pass the comprehensive CFP® Certification Examination in the areas of financial planning, taxes, insurance, estate and retirement. An individual must have two years apprenticeship or three years of investment/financial career experience before becoming a CFP® professional. Once the candidates have passed the exam, they must pass a background check and pay application and certification fees before receiving their certifications.</p> <p>CFP® professionals must also complete continuing education programs each year to maintain their certification status. 30 hours of continuing education is required during every two year reporting period. CFP® professionals agree to be bound by the CFP Board's Standards of Professional Conduct, which sets forth the ethical and practice standards for CFP® professionals.</p>
CPA	Certified Public Accountant	<p>A designation given by the American Institute of Certified Public Accountants to those who pass an exam and meet work experience requirements. In order to become a CPA almost all states require that an individual meet educational (generally a college major in accounting or the equivalent), experience and ethical requirements and pass the Uniform CPA Examination.</p> <p>Continuing professional education (CPE) is required for CPAs to maintain their license. CPAs are required to complete 120 hours of continuing education every three years.</p>
CFA	Chartered Financial Analyst	<p>This is a designation given by the Chartered Financial Analyst (CFA) Institute that measures the competence and integrity of financial analysts. Candidates must hold a bachelor's degree and are required to pass three levels of exams covering areas such as accounting, economics, ethics, money management and security analysis. An individual must have four years of investment/financial career experience before becoming a CFA charterholder.</p> <p>The CFA Institute recommends that members complete a minimum of 20 hours of continuing education activities annually, including of a minimum of two hours of standards, ethics and regulatory education and reaffirm that they will abide by the CFA Code of Ethics and Standards of Professional Conduct.</p>

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Professional designations continued

ChFC®	Chartered Financial Consultant	<p>The Chartered Financial Consultant® (ChFC®) credential is awarded by the American College, located in Bryn Mawr, PA. Individuals must successfully complete nine advanced courses in the areas of financial planning, taxes, insurance, estate and retirement.</p> <p>In order to retain the ChFC® designation, the financial planner must complete 30 hours of continuing education every two years.</p>
CLU	Chartered Life Underwriter	<p>A professional designation for individuals who wish to specialize in life insurance and estate planning, the Chartered Life Underwriter (CLU) designation is awarded by The American College, located in Bryn Mawr, PA. Individuals must complete five core courses and three elective courses, and successfully pass all eight two-hour, 100-question examinations in order to receive the designation.</p>
PFS	Personal Financial Specialist	<p>A Certified Public Accountant who also offers financial planning services. Personal Financial Specialists must complete an exam, have at least three years of financial planning experience, and submit recommendations before certification. The title is authorized by the American Institute of Certified Public Accountants.</p>

**Licenses**

Series 7 General Securities	Required of an individual to become a Registered Representative of a broker-dealer in the United States.	A general securities registered representative exam and license administered by the Financial Industry Regulatory Authority (FINRA) that entitles the holder to sell all types of securities products with the exception of commodities and futures.
Series 8 Sales Supervisor	A securities license entitling the holder to supervise branch activities.	The Series 9/10 exam (formerly Series 8) is administered by the Financial Industry Regulatory Authority (FINRA). The exam covers topics such as the supervision of option, municipal, and government securities sales, and the primary/secondary markets. An individual must have a Series 7 license before taking this exam.
Series 24 Principal	A securities license entitling the holder to supervise and manage branch activities.	The Series 24 exam is administered by the Financial Industry Regulatory Authority (FINRA) and covers topics such as the corporate securities, real estate investment trusts, trading, customer accounts, regulatory guidelines and more. An individual must have passed the Series 7 exam first.
Series 27 Financial Operations Principal	A securities license entitling the holder to become a financial officer for a FINRA member firm.	The Series 24 exam is administered by the Financial Industry Regulatory Authority (FINRA) and covers topics such as the corporate securities, real estate investment trusts, trading, customer accounts, regulatory guidelines and more.
Series 63	A securities license entitling the holder to solicit orders for any type of security in a particular state.	The Series 63 exam mainly covers state laws and regulations. This license is required in addition to the Series 7 or Series 6.

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Licenses continued

Series 65	A securities license required by most states for individuals to act as an investment advisor.	The Series 65 exam covers state laws, regulations, ethics, and knowledge on specific investment products.
IB, Series 79 Limited Representative	A securities license required for a Registered Representative to engage in investment banking activities.	<p>The examination qualifies an individual to advise on or facilitate debt or equity offerings through a private placement or public offering or to advise or facilitate mergers or acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations or business combination transactions.</p> <p>This license was obtained by the registered representatives listed on page 1 prior to FINRA requiring that the examination be completed.</p>

#### **Monitoring of Investment Advice Given**

Asset management advice is developed by the Chief Investment Officer ("CIO") and presented to the Managing Director of Asset Management and to the Investment Committee no less frequently than quarterly. After approval by the Investment Committee, such advice is implemented by changes to client portfolios. Such changes are monitored by the CIO, the Director of Investment Operations and the client's designated advisor.

Financial planning and other advice is developed by the client's advisor and the professional team assigned to the client as outlined in the engagement letter. Such advice is periodically reviewed by WealthStone via meetings between advisors. There is no set schedule or methodology for such monitoring.