

# **The Welch Group, LLC**

SEC File Number: 801 – 56254

## **ADV Part 2A, Brochure**

**Dated: January 4, 2018**

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**This Brochure provides information about the qualifications and business practices of The Welch Group, LLC (“The Welch Group”). If you have any questions about the contents of this Brochure, please contact us at (205) 871-5805 or [greg@welchgroup.com](mailto:greg@welchgroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about The Welch Group also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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

## Item 2 Material Changes

There have been no material changes made to The Welch Group's disclosure statement since our previous Annual Amendment filing on February 17, 2016.

There has been one material change since our last Annual Amendment Filing on March 23, 2017. Effective January 1, 2018, our related entity, Welch Investments, LLC has merged into The Welch Group, LLC. The combined entity will provide services as The Welch Group, LLC.

Item 4A has been amended to reflect this organizational change.

Item 4E has been updated to reflect discretionary assets under management as of January 2, 2018.

**ANY QUESTIONS: The Welch Group's Chief Compliance Officer, Greg Weyandt, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

## Item 3 Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	6
Item 6	Performance-Based Fees and Side-by-Side Management .....	7
Item 7	Types of Clients.....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9	Disciplinary Information .....	9
Item 10	Other Financial Industry Activities and Affiliations .....	9
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12	Brokerage Practices .....	11
Item 13	Review of Accounts.....	13
Item 14	Client Referrals and Other Compensation .....	13
Item 15	Custody.....	13
Item 16	Investment Discretion.....	14
Item 17	Voting Client Securities.....	14
Item 18	Financial Information .....	14

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

- A. The Welch Group is a limited liability company formed on September 4, 1998 in State of Alabama. The Welch Group became registered as an Investment Adviser Firm in February 1999. The Welch Group is principally owned by Stewart H. Welch, III, who is The Welch Group's Managing Member.

On January 1, 2018, pursuant to an internal merger between two affiliated entities, both under common control ownership by Stewart H. Welch (the Managing Member), Welch Investments, LLC (SEC File Number: 801-56718) merged into The Welch Group, LLC. In connection with this merger, Welch Investments clients will have investment services provided to them by The Welch Group, subject to the terms and conditions of their existing client agreements.

- B. As discussed below, The Welch Group provides its clients (i.e. individuals, pension and profit sharing plans, trusts, and business entities) with wealth management services, which include financial analysis, investment management, and ongoing financial analysis services for those clients that continue to engage The Welch Group to provide investment management services and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **PORTFOLIO DESIGN/MANAGEMENT**

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

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

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

## REPORTING SERVICES AND AGGREGATE DATA STORAGE

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

## MISCELLANEOUS

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

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, we may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. **Please Note:** We **do not** serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as legal or accounting services. Accordingly, we **do not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by The Welch Group or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending

upon the client's age, result in adverse tax consequences). If Welch Group recommends that a client roll over their retirement plan assets into an account to be managed by Welch Group, such a recommendation creates a conflict of interest if Welch Group will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by Welch Group. Welch Group's Chief Compliance Officer, Greg Weyandt, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**ByAllAccounts.** The Welch Group may provide, in conjunction with the services provided by ByAllAccounts, Inc, periodic comprehensive reporting services, which can incorporate all of the client's investment assets including *Excluded Assets*. The Welch Group's service relative to the *Excluded Assets* is limited to reporting services only, and does not include investment implementation. Because The Welch Group does not have trading authority for the *Excluded Assets*, to the extent applicable to the nature of the *Excluded Assets* (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not The Welch Group, shall be exclusively responsible for directly implementing any recommendations relative to the *Excluded Assets*. **Rather, the client and/or his/her/its other advisors that maintain trading authority, and not The Welch Group, shall be exclusively responsible for the investment performance of the *Excluded Assets*.** Without limiting the above, The Welch Group shall not be responsible for any implementation error (timing, trading, etc.) relative to the *Excluded Assets*. In the event the client desires that The Welch Group provide investment management services (whereby The Welch Group would have trading authority) with respect to the *Excluded Assets*, the client may engage The Welch Group to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between The Welch Group and the client.

**Use of Mutual Funds.** While The Welch Group may recommend allocating investment assets to mutual funds that are not available directly to the public, The Welch Group may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging The Welch Group as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging The Welch Group as an investment advisor, the client or prospective client would not receive the benefit of The Welch Group's initial and ongoing investment advisory services

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

**Disclosure Statement.** A copy of The Welch Group's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Financial Advisory Agreement*.

- C. The Welch Group shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The

Welch Group shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at any time, impose restrictions, in writing, on The Welch Group's services.

- D. The Welch Group does not participate in a wrap fee program.
- E. As of January 2, 2018, The Welch Group had \$1,423,416,059 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

A.

### PORTFOLIO DESIGN/MANAGEMENT

In the event the client desires, the client can engage The Welch Group to design an investment portfolio and provide ongoing corresponding investment management services on a negotiable *fee-only* basis. The Welch Group shall charge an annual investment management fee based upon a percentage of the market value of the assets being managed by The Welch Group. The investment management fee shall generally vary between 0.30% and 1.20% as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Less than \$2,000,000	1.20%
\$2,000,001-\$3,000,000	1.00%
\$3,000,001-\$5,000,000	0.80%
\$5,000,001-\$7,500,000	0.70%
\$7,500,001-\$10,000,000	0.60%
\$10,000,001-\$25,000,000	0.50%
\$25,000,001-\$50,000,000	0.45%
\$50,000,001-\$100,000,000	0.40%
>\$100,000,000	0.30%

The Welch Group's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In limited situations (i.e. non-investment management clients, and investment management clients that require a disproportionate amount of consulting services), The Welch Group may charge an hourly fee for investment-related consulting services.

### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent it is specifically requested to do so, The Welch Group may provide its clients with a broad range of financial analysis and consulting services (including non-investment related matters) on a stand-alone separate fee basis. The Welch Group will charge a fee (fixed fee and/or hourly) for these services. The Welch Group generally charges a one-time negotiable fixed fee of between \$3,500.00 and \$35,000.00 for financial analysis. The Welch Group also occasionally renders financial analysis and/or consulting services on an hourly rate basis, from \$145.00 to \$495.00 per hour, depending upon the level and scope of the services required and the professional rendering the service(s). Prior to engaging The Welch Group to provide financial analysis and/or consulting services, the client will generally be required to enter into a *Financial Advisory Agreement* with The Welch Group

setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to The Welch Group commencing services.

#### **REPORTING SERVICES AND AGGREGATE DATA STORAGE**

The Welch Group offers investment data storage and periodic comprehensive reporting services which can incorporate all of the client's investment assets, including *Excluded Assets*.

- B. Clients may elect to have The Welch Group's advisory fees deducted from their custodial account. Both The Welch Group's *Financial Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of The Welch Group's investment advisory fee and to directly remit that management fee to The Welch Group in compliance with regulatory procedures. In the limited event that The Welch Group bills the client directly, payment is due upon receipt of The Welch Group's invoice. The Welch Group shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, The Welch Group shall generally recommend that Charles Schwab Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients will incur, in addition to The Welch Group's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. The Welch Group's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Welch Group will generally require an account minimum of \$2,000,000 for investment management services. The Welch Group, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, client negotiation, etc.).

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

- E. Neither The Welch Group, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

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

## **Item 7           Types of Clients**

The Welch Group's clients shall generally include individuals, business entities, pension and profit sharing plans and trusts. The Welch Group will generally require an account minimum of \$2,000,000 for investment management services. The Welch Group, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, client negotiation, etc.).

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

A. The Welch Group may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

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

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by The Welch Group) will be profitable or equal any specific performance level(s).

B. The Welch Group's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis The Welch Group must have access to current/new market information. The Welch Group has no control over the dissemination rate of market information; therefore, unbeknownst to The Welch Group, certain analyses may be compiled with outdated market information, severely limiting the value of The Welch Group's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of

market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Welch Group's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

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

## **Item 9            Disciplinary Information**

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

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

- A. Neither The Welch Group, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither The Welch Group, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Other Investment Adviser.** The Welch Group is affiliated with Welch Investments, LLC ("*Welch Investments*"), an SEC registered investment adviser (SEC Filing No.: 801-56718). Stewart H. Welch III, the Managing Member of The Welch Group is a member and owner of *Welch Investments*. The Welch Group may refer certain clients to *Welch Investments* for investment advisory services. Because of Mr. Welch's ownership interest in *Welch Investments*, there is a ***conflict of interest***. No client of The Welch Group is required to use the services of *Welch Investments*.

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

**The Welch Group's Chief Compliance Officer, Gregory Weyandt, remains available to address any questions that a client or prospective client may have regarding the above relationship/arrangement and any corresponding conflict of interest such arrangement may create.**

- D. The Welch Group does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Welch Group maintains an investment policy relative to personal securities transactions. This investment policy is part of The Welch Group's overall Code of Ethics, which serves to establish a standard of business conduct for all of The Welch Group's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, The Welch Group also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by The Welch Group or any person associated with The Welch Group.

- B. Neither The Welch Group nor any related person of The Welch Group recommends, buys, or sells for client accounts, securities in which The Welch Group or any related person of The Welch Group has a material financial interest.
- C. The Welch Group and/or representatives of The Welch Group *may* buy or sell securities that are also recommended to clients. This practice may create a situation where The Welch Group and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if The Welch Group did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of The Welch Group's clients) and other potentially abusive practices.

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

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

## **Item 12 Brokerage Practices**

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

Factors that The Welch Group considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with The Welch Group, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by The Welch Group's clients shall comply with The Welch Group's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where The Welch Group determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although The Welch Group will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, The Welch Group's investment management fee. The Welch Group's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, The Welch Group may receive from *Schwab* (another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist The Welch Group to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by The Welch Group may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications,

discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software (i.e., PortfolioCenter®) and/or other products used by The Welch Group in furtherance of its investment advisory business operations.

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

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

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

**Please Note:** In the event that the client directs The Welch Group to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through The Welch Group. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. **The Welch Group's Chief Compliance Officer, Gregory Weyandt, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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

### **Item 13          Review of Accounts**

- A. For those clients to whom The Welch Group provides investment supervisory services, account reviews are conducted on an ongoing basis by The Welch Group's Principals and representatives. All clients are advised that it remains their responsibility to advise The Welch Group of any changes in their investment objectives and/or financial situation. All clients (in person or telephonically) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with The Welch Group on an annual basis.
- B. The Welch Group may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts.

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

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

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

- B. Neither The Welch Group nor any related person of The Welch Group directly or indirectly compensates any person for client referrals.

### **Item 15          Custody**

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

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

**Please Also Note: Custody Situations:** The Welch Group engages in other practices and/or services on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA

examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

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

#### **Item 16 Investment Discretion**

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

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

#### **Item 17 Voting Client Securities**

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

#### **Item 18 Financial Information**

- A. The Welch Group does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Welch Group is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Welch Group has not been the subject of a bankruptcy petition.

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