

Item 1 Cover Page

# The Welch Group, LLC

SEC File Number: 801 - 56254

ADV Part 2A, Brochure

Dated: February 21, 2024

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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

Since the last Annual Amendment filing on March 16, 2023, this Disclosure Brochure has been amended to Item 4 to enhance disclosure regarding our advisory services, including cash sweep accounts and fee dispersion.

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

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## 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 in February 1999. The Welch Group is principally owned by Stewart H. Welch, III, who is The Welch Group's Founder.

On January 1, 2018, pursuant to an internal merger between two affiliated entities, both under common control ownership by Stewart H. Welch (the Founder), Welch Investments, LLC (SEC File Number: 801-56718) merged into The Welch Group, LLC. As a result of the merger, all future services are provided by The Welch Group. As discussed below, depending upon the terms of the engagement, The Welch Group can provide its clients (i.e. individuals, pension and profit sharing plans, trusts, and business entities) with investment management services, financial analysis services, and, to the extent engaged to do so and 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. To the extent provided in the written agreement between the Welch Group and the client, The Welch Group's annual investment advisory fee shall include, to the extent specifically requested by the client, financial planning and consulting services (generally subject to a \$3 million assets under management minimum-*see* Item 5 below). The Welch Group's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under The Welch Group's management, generally between 0.30% and 1.20%. To commence the investment advisory process, The Welch Group will ascertain each client's investment objective(s) and then allocate the client's assets consistent with the client's designated investment objective(s). Once allocated, The Welch Group provides ongoing supervision of the account(s). Before engaging The Welch Group to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

**Please Note:** The Welch Group believes that it is important for the client to address financial planning issues on an ongoing basis. The Welch Group's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with the firm.

### 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's planning and consulting fees are negotiable, but generally range up to \$3,500 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) 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. **Please Note:** The Welch Group **does not** serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as legal, accounting or insurance services. Accordingly, The Welch Group **does not** prepare estate planning or any other legal documents, tax returns, or sell/offer insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). No client is under any obligation to utilize the services of any such recommended professional. **Please Also Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. If, and when The Welch Group is involved in a specific matter (i.e. estate planning, insurance, accounting-related engagement, etc.), it is the engaged licensed professionals (i.e. attorney, accountant, insurance agent, etc.), and not The Welch Group, that is responsible for the quality and competency of the services provided.

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

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

**Variable Annuity Sub-divisions.** The Welch Group may also render discretionary investment management services to clients relative to variable annuity products that they may own. In so doing, The Welch Group directs the allocation of client assets among the various mutual fund sub-divisions which comprise the variable annuity product 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:** The Welch Group **does not** serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed as legal, accounting, or insurance services. Accordingly, The Welch Group **does not** prepare estate planning or any other legal documents, tax returns, or sell

insurance products. To the extent requested by a client, we may recommend the services of other professionals for non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). No client is under any obligation to utilize the services of any such recommended professional. **Please Also Note:** If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. If, and when The Welch Group is involved in a specific matter (i.e. estate planning, insurance, accounting-related engagement, etc.), it is the engaged licensed professionals (i.e. attorney, accountant, insurance agent, etc.), and not The Welch Group, that is responsible for the quality and competency of the services provided. Neither The Welch Group, nor its investment adviser representatives, assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. In addition, The Welch Group does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with us, if desired.

**Retirement Plan Rollovers: 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) rollover 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 The Welch Group will earn new (or increase its current) compensation as a result of the rollover. If The Welch Group provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), The Welch Group is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by The Welch Group, whether it is from an employer's plan or an existing IRA. **ANY QUESTIONS:** The Welch Group's Compliance Officer, Brent Gillis, 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.

**Margin Accounts: Risks/Conflict of Interest.** The Welch Group **does not** recommend the use of margin for investment purposes. A *margin account* is a brokerage *account* that allows investors to borrow money to buy securities and/or for other non-investment borrowing purposes. The broker/custodian charges the investor interest for the right to borrow money and uses the securities as collateral. By using borrowed funds, the customer is employing leverage that will magnify both account gains and losses. Should a client determine to use margin, The Welch Group will include the entire market value of the margined assets when computing its advisory fee. Accordingly, The Welch Group's fee shall be based upon a higher margined account value, resulting in The Welch Group earning a correspondingly higher advisory fee. As a result, the potential of conflict of interest arises since The Welch Group may have an economic disincentive to recommend that the client terminate the use of margin. **Please Note:** The use of margin can cause significant adverse financial consequences in the event of a market correction. **ANY QUESTIONS:** Our Chief Compliance Officer, Brent Gillis, remains available

to address any questions that a client or prospective client may have regarding the use of margin. .

Use of Mutual Funds and Exchange Traded Funds. While The Welch Group may recommend allocating investment assets to mutual funds and exchange traded funds that are not available directly to the public, The Welch Group may also recommend that clients allocate investment assets to publicly-available mutual funds or exchange traded 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 publicly available mutual funds or exchange traded 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. **Please Note:** In addition to The Welch Group's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Cash Sweep Accounts. Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, The Welch Group shall generally purchase a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless The Welch Group reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

Please Note: The above does not apply to the cash component maintained within The Welch Group's actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager, and cash balances maintained for fee billing purposes. Please Also Note: The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any of The Welch Group's unmanaged accounts.

Fee Dispersion. The Welch Group, in its discretion, may charge a lesser or higher investment advisory fee, charge a flat fee, waive applicable minimum asset or minimum fee levels, waive its fee entirely, or charge a fee on a different interval, 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, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). Please Note: As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

Cybersecurity Risk. The information technology systems and networks that The Welch Group and its third-party service providers use to provide services to The Welch Group's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in The Welch Group's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and The Welch Group are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although The Welch Group has established its processes to reduce the risk of cybersecurity, there is no guarantee that these efforts will always be successful, especially considering that The Welch Group does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

Custodian Charges-Additional Fees: As discussed at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, The Welch Group generally recommends that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including *Schwab*, do not currently charge fees on individual equity or ETF transactions, others do). **Please Note:** there can be no assurance that *Schwab* will not change its transaction fee pricing in the future). These fees/charges are in addition to The Welch Group's investment advisory fee at Item 5 below. The Welch Group does not receive any portion of these fees/charges. **ANY QUESTIONS: The Welch Group's Chief Compliance Officer, Brent Gillis, remains available to address any questions that a client or prospective client may have regarding the above.**

#### ERISA PLAN and 401(k) INDIVIDUAL ENGAGEMENTS:

- Trustee Directed Plans. The Welch Group may be engaged to provide discretionary investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, The Welch Group will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). The Welch Group will generally provide services on an "assets under management" fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and the Firm.
- Client Retirement Plan Assets. If requested to do so, The Welch Group shall provide investment advisory services relative to the client's 401(k) plan assets. In such event, The Welch Group shall recommend that the client allocate the retirement account assets among the investment options available on the

401(k) platform. The Welch Group shall be limited to making recommendations regarding the allocation of the assets among the investment alternatives available through the plan. The Welch Group will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify The Welch Group of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account.

Portfolio Activity. The Welch Group has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, The Welch Group will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when The Welch Group determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by The Welch Group will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

Cash Positions. The Welch Group continues to treat cash as an asset class. As such, unless determined to the contrary by The Welch Group, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating The Welch Group's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), The Welch Group may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, The Welch Group's advisory fee could exceed the interest paid by the client's money market fund. ANY QUESTIONS: Welch's Chief Compliance Officer, Brent Gillis, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

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 Brochure. A copy of The Welch Group's written Brochure as set forth on Part 2A of Form ADV and Form ADV Part 3 (Client Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of the Financial Advisory Agreement.

Please Note: Investment Risk. 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 firm) will be profitable or equal any specific performance level(s).



- 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 December 31, 2023, The Welch Group had \$2,759,780,586 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 \$1,000,000	1.20%
\$1,000,001 - \$3,000,000	1.00%
\$3,000,001 - \$5,000,000	0.90%
\$5,000,001 - \$7,500,000	0.80%
\$7,500,001 - \$10,000,000	0.70%
\$10,000,001 - \$25,000,000	0.60%
\$25,000,001 - \$50,000,000	0.50%
\$50,000,001 - \$100,000,000	0.45%
>\$100,000,000	0.30%

To the extent provided in the written agreement between The Welch Group and the client, The Welch Group's annual investment advisory fee shall include, to the extent specifically requested by the client, financial planning and consulting services (generally subject to a \$500,000 assets under management minimum-*see* below). 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.

**Please Note:** Clients who engage us to participate in our Wealth Management Program are subject to a minimum annual investment management fee of \$6,000.

**Please Also Note:** If you maintain less than \$500,000 of assets under The Welch Group's management, and are subject to the \$6,000 minimum fee, you will pay a higher percentage annual fee than the 1.2% referenced in the fee schedule at Item 5 above. **ANY QUESTIONS:** The Welch Group's Chief Compliance Officer, Brent Gillis, remains available to address any questions that a client or prospective client may have regarding

advisory fees.

Family Office Services. Clients who engage The Welch Group to participate in our Family Office Services Program are subject to a minimum annual investment management fee of \$27,000.

#### Fee Dispersion

The Welch Group, in its discretion, may charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge a fee on a different interval, 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, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** The Welch Group's Chief Compliance Officer, Brent Gillis, remains available to address any questions that a client or prospective client may have regarding advisory fees.

#### 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. 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. The Welch Group does not generally bill or reimburse for additions or withdrawals to/from existing accounts during the billing 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, transaction, and/or other types of fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). Relative to all mutual fund and exchange-traded fund purchases, clients will also incur charges imposed at the fund level (e.g., management fees and other fund expenses).

While certain custodians, including Schwab, generally (with exceptions) do not currently charge fees on individual equity transactions (including ETFs), others do.

There can be no assurance that Schwab will not change its transaction fee pricing in the future. Schwab may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

- D. The Welch Group's annual investment advisory fee shall be pro-rated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter (subject to adjustment for intra-quarter additions to assets under management).

The Welch Group will generally require an assets under management minimum of \$500,000 for investment management services, inclusive of financial planning services. The Welch Group, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its asset minimum 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, competition, client negotiation, etc.). The Welch Group does not adjust its quarterly advisory fee with respect to intra-quarter additions or withdrawals from existing client accounts.

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 assets under management minimum of \$500,000 for investment management services, inclusive of financial planning services. The Welch Group, in its sole discretion, may charge a lesser investment management fee and/or waive or 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, complexity

of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

## 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 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.

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, Brent Gillis, 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 created by such arrangement.

- C. 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 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 conflict of interest. As indicated above in Item I .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. Broker-dealers such as Schwab can charge transaction fees for effecting certain securities transactions (*See* Item 4 above). To the extent that a transaction fee will be payable by the client to Schwab, the transaction fee shall be in addition to The Welch Group's investment advisory fee referenced in Item 5 above.

The Welch Group shall have a duty to obtain best execution for account transactions. However, that does not mean that the client will not pay a transaction fee 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 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, transaction rates, and responsiveness. Accordingly, although The Welch Group will seek competitive rates, it may not necessarily obtain the lowest possible rates for client account transactions. 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 can receive from Schwab (or 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 can be obtained by The Welch Group may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by The Welch Group in furtherance of its investment advisory business operations.

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.

ANY QUESTIONS: The Welch Group's Chief Compliance Officer, Brent Gillis, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest presented by such 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 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 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, Brent Gillis, 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 requests.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. The Welch Group may also provide a written periodic report summarizing account activity and performance

#### Item 14      Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, The Welch Group receives 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.

**ANY QUESTIONS: The Welch Group's Chief Compliance Officer, Brent Gillis, remains available to address any questions that a client or prospective**



**client may have regarding the above arrangement and the corresponding conflict of interest presented by such arrangement.**

B. The Welch Group does not compensate non-employees for client introductions. .

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 (i.e., trustee services and password possession) on behalf of its clients that require disclosure at the Custody section of Part I 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. In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from The Welch Group to transfer client funds or securities to third parties. These arrangements are also disclosed at ADV Part I, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No- Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

The Welch Group's Chief Compliance Officer, Brent Gillis, remains available to address any questions that the 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 affect investment transactions involving the assets in the client's name found in the discretionary account. The investment advisory agreement sets forth the terms and conditions under which The Welch Group shall manage the client's assets. A separate custodial/clearing agreement shall also be executed by the client with each designated broker-dealer custodian.

Clients who engage The Welch Group on a discretionary basis may, at any time, impose restrictions, including, 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

The Welch Group does not solicit fees of more than \$1,200, per client, six months or more in advance.

- A. 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.
- B. The Welch Group has not been the subject of a bankruptcy petition.

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