

# **Waddell & Associates, LLC.**

5188 Wheelis Drive  
Memphis, TN 38117

(901) 767-9187

[www.waddellandassociates.com](http://www.waddellandassociates.com)

March 28, 2017

This Brochure provides information about the qualifications and business practices of Waddell & Associates, LLC. (“W&A”). If you have any questions about the contents of this Brochure, please contact us at (901) 767-9187. 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.

W&A is a registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provides you with information about which you determine to hire or retain an Adviser.

Additional information about W&A also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for W&A is 283723.

## **Item 2 – Material Changes**

This Item of the Brochure discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. Since the last update of our brochure on August 3, 2016, we had the following changes:

- Item 4 and 5 were updated to include the dental practitioners financial planning services offered by W&A.
- Disclosure throughout has been provided on the investment of structured notes.
- Disclosure has been provided on W&A's new robo service offering.

(Brochure Date: March 28, 2017)

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting us at (901) 767-9187.

### Item 3 -Table of Contents

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

## Item 4 – Advisory Business

Waddell & Associates, LLC (W&A) (CRD #283723), succeeded to the advisory business of its predecessor Waddell & Associates, Inc. (CRD #105746/ SEC # 801-26693) on April 1, 2016 and does business under the name of Waddell & Associates, LLC. The predecessor's business was founded in 1986.

The advisory services and management of W&A will remain the same, however, the successor application reflects new ownership by Focus Operating, LLC. W&A is a wholly owned subsidiary of Focus Operating, LLC which is a wholly owned subsidiary of Focus Financial Partners, LLC, a Delaware limited liability company ("Focus"), [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com). W&A is continuing the advisory business of the prior adviser in all respects.

Pursuant to a management agreement between W&A, Focus and W&A Management Partners, LLC (the "Management Company"), the Management Company has agreed to provide persons to serve as officers of W&A, who, in such capacity, will be responsible for the management, supervision and oversight of W&A. This management team includes David Waddell, President and CEO, Tara Meeks, Chief Administrative Officer and Chief Compliance Officer and Perry Green, Senior Vice President.

As of December 31, 2016, the firm managed \$631,017,341 in discretionary assets under management and \$67,998,945 in non-discretionary assets, totaling \$699,016,286 in regulatory assets under management. W&A provides non-discretionary advice regarding mutual fund selection for \$33,063,106 of assets in self-directed corporate pension and profit sharing plans. W&A structures model portfolios of mutual funds and assists record keepers in making the models available to plan sponsors for use as asset allocation investment solutions within their plan.

The firm provides wealth management services to individuals as well as corporate and professional pension and profit sharing plans. W&A will typically create a portfolio of no-load (no-commission) mutual funds, using model portfolios which match the client's investment policy. W&A meets with its clients to determine individual investment objectives, risk tolerances, and appropriate asset mixes. W&A generally selects mutual funds for portfolio construction and monitors the performance of these funds, adjusting portfolio positions in response to changing economic and market conditions. While W&A typically invests in no-load mutual funds, other type of securities or cash instruments, including structured notes, may be utilized if market conditions or client needs dictate. Additionally, W&A may utilize third-party managers to manage a portion of the clients' portfolio.

Client portfolios may also include some individual equity and fixed income securities in situations where disposition of these securities would present an overriding tax implication or the client specifically requests they be retained for a personal reason. In most circumstances, these positions will be considered "Unmanaged" and W&A normally will have no obligation to recommend or take any action with regard to these unmanaged securities, unless previously agreed to by both parties. W&A may or may not have discretionary authority over these assets and whether these assets are included in the calculation of the advisory fee is contingent on the predetermined arrangements with that individual client. Unmanaged assets may be managed differently among clients depending on legacy relationships, predetermined agreements with clients, and unexpected life events clients may encounter (e.g., cash needs, large financial purchases, gifted securities, etc.).

W&A may retain third party managers to invest the fixed income portion of a clients' portfolio. W&A has the discretion to hire and terminate third party managers with authority to manage client assets on a discretionary basis. W&A monitors such third party managers and charges clients an investment management fee on the total client assets under management. In addition, third party managers will charge a separate and distinct investment management fee for managing such client assets.

For certain clients, W&A may also utilize structured notes, which is a debt obligation that also contains an embedded derivative component that adjust the security's risk/return profile. The return performance of a structured note will track both that of the underlying debt obligation and the derivative embedded within it.

### **W&Ai Investments Online ("WAI")**

W&A may also utilize for certain lower asset balance clients the Schwab Intelligent Portfolios™ ("Program") platform sponsored by Charles Schwab, ("Program Sponsor"). The Program Sponsor is an unaffiliated SEC registered third party service provider which offers an electronic algorithms platform which ensures client portfolios are aligned with the client's investment objective and risk tolerance via model portfolios. W&A has branded this Program as **W&Ai**. Under this automated investment advisory program, trading and rebalancing is determined via an algorithm based on model portfolios created by W&A, with cash flows and dividends used to keep the portfolio in balance. Also referred to as "robo-advisory services", the Program Sponsor provides W&A with the technology platform to automate the management of portfolios of ETFs and mutual fund securities, provides sub-advisory services and acts in a discretionary capacity to the client's account. Any clients that use the Program will receive the WAI Program Disclosure Brochure ("Program Disclosure Brochure") from the Program Sponsor which includes a more detailed description and additional information.

### **Employee Benefit Plan Services:**

W&A also provides mutual fund selection for self-directed 401(k) corporate pension and profit sharing plans. W&A structures model portfolios of mutual funds and assists record keepers in making the models available to plan sponsors for use as asset allocation investment solutions within their plan. At the plan's request, W&A will provide recommendations for pooled assets that reflect various investment objectives as additional options for the plan participants. Each model's structure and allocation among the individual components are monitored, changed and rebalanced as necessary. W&A will also meet annually with the plan trustees and provides education to plan participants as needed.

### **Financial Planning Services (Including Stand Alone Plans):**

As a compliment to its investment advisory services, W&A provides advice in the form of financial planning. In general, the financial plan may address any or all of the following areas of concern:

- PERSONAL: Family records, budgeting, personal liability, estate information and financial goals.
- EDUCATION: Education IRAs, 529 plans and general assistance in preparing to meet dependent's continuing educational needs.
- TAX & CASH FLOW: Income tax, spending analysis and planning for past, current and future years.
- DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

- RETIREMENT: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- INVESTMENTS: Analysis of investment alternatives and their effect on a client's portfolio.
- DIVORCE PLANNING- Address financial issues and decisions that face couples in process of divorce.
- Dental Practitioners – Address strategic integration of personal and practice financial decisions.

Information gathered includes a client's current financial status, future goals and attitudes towards risk. Should a client choose to implement the recommendations contained in the plan, W&A suggests the client work closely with his/her attorney, accountant and/or insurance agent. Implementation of financial plan recommendations is entirely at the client's discretion.

Financial planning recommendations are of a generic nature and are not limited to any specific product or service offered by a broker dealer or insurance company.

### **Additional Consulting Services:**

W&A may provide consulting services related to changes in financial situations resulting from a divorce. In accordance with the terms of the written agreement with the client and based on the information provided by the client, W&A will prepare a financial analysis addressing the financial issues resulting from a divorce. Compensation for this consulting service is described below in Item 5.

W&A may provide strategic financial planning services to dental practitioners addressing personal financial needs integrated with their practice needs. In accordance with the terms of the written agreement with the client and based on the information provided by the client, W&A will prepare a financial analysis addressing the financial issues related to dental practitioners. Compensation for this strategic financial planning service is described below in Item 5.

## **Item 5 – Fees and Compensation**

### **General Information on Fees**

The specific manner in which fees are charged by W&A is established in a client's written agreement with W&A. W&A Clients may authorize W&A to directly debit fees from client accounts or elect to be billed directly for fees on a quarterly basis, in arrears, based on the ending asset values. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

As a general rule, W&A does not negotiate its annual management fees. Under certain circumstances, the fee schedule is negotiable, but any such customized schedule must be approved by W&A's President or Chief Administrative Officer.

Additionally, under certain circumstances and agreed upon by both parties, W&A may provide initial services to prospective clients that go beyond the standard presentation services routinely provided to prospects. In such a situation, W&A will charge a pre-determined, agreed upon fee which has been fully described and acknowledged by the prospect in an asset management contract.

W&A's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to W&A's fee, and W&A shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that W&A considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **Advisory Fees**

#### **Investment Management/Financial Planning Services:**

The annual fee for investment management/financial planning services will be charged as a percentage of total assets under management, according to the schedule below:

<b><u>All Equity, Balanced and Hybrid Portfolios</u></b>	
<i>First \$1,000,000</i>	<i>1.333%</i>
<i>Second million (\$1,000,001 - \$2,000,000)</i>	<i>0.75%</i>
<i>Next three million (\$2,000,001 - \$5,000,000)</i>	<i>0.50%</i>
<i>All assets above \$5,000,000</i>	<i>0.25%</i>

<b><u>Fixed Income Portfolios</u></b>	
<i>First \$1,000,000</i>	<i>0.50%</i>
<i>Second million (\$1,000,001 - \$2,000,000)</i>	<i>0.35%</i>
<i>All assets above \$2,000,001</i>	<i>0.25%</i>

#### **Financial Planning (Stand Alone Plans and Strategic Dental Practitioners Plans):**

On a case by case basis, under certain circumstances, W&A may do a stand-alone financial plan for a potential client for a fee. For these individual financial planning services, client can either be billed in advance or upon W&A completing the financial planning service. Fees are determined on a case by case basis depending on the potential account size and level of planning performed. All fees are established and agreed to prior to the start of the planning process.

W&A also provides dental practitioners a twelve-month strategic financial plan which is billed on a monthly basis at a predetermined fee ranging from \$300 - \$1,000/month depending on complexity. These services may also be

provided in conjunction with discretionary investment advisory services, however the above investment management fee may be waived for the first year the financial plan is being implemented. All fees are established and agreed to prior to the start of the planning process and annually reviewed with the client.

## **W&Ai**

For clients participating in the software based Schwab Intelligent Portfolios™ program, also referred to internally as W&Ai, W&A calculates the fee and provides to the Program Sponsor to process all client billing in advance on a quarterly basis.

The Program Sponsor shall calculate and deduct the fee directly from the clients' portfolio maintained at the qualified custodian. Clients do not pay fees to the Program Sponsor or brokerage commissions or other fees to Charles Schwab as part of the Program. Charles Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

The annual fee for investment management services provided through the Schwab Intelligent Portfolios™ Program will be charged as a percentage of assets under management at a fee rate of 1.00%.

## **Employee Benefit Retirement Plan Services:**

Under certain circumstances, W&A provides consulting services to 401(k) pension plans that utilize an employee choice program for its investments. These accounts are not individually managed; rather, W&A reviews the available menu of investment choices offered by the custodian and makes recommendations to the plan trustees as to appropriate choices that could be offered to the participants. W&A will recommend investment options to achieve the plan's objectives, provide participant education meetings, and monitor the performance of the plan's investment vehicles. W&A structures model portfolios of mutual funds and assists in making the models available to plan sponsors for use as asset allocation investment solutions within their plans. The model portfolios are designed to meet the needs of plan participants whose risk tolerance and investment objectives range from conservative to aggressive. Each model's structure and allocation among the individual components are monitored, changed and rebalanced as necessary. W&A will also recommend changes in the plan's investment vehicles as may be appropriate from time to time. W&A generally will review the plan's investment vehicles and investment policy as necessary.

W&A charges a fee ranging from (.10% to 1.333% of plan assets annually, depending upon plan size) for these services. These fees are billed by the plan administrator or by W&A and payable quarterly, in arrears or advance, based on ending asset values. However, since fees are generally assessed and paid through the plan to the plan administrator and then sent to W&A, valuation and payment dates vary depending upon the plan administrator's accounting procedures. If the administrator utilizes a "pay in advance" method and forwards such prepaid fees to W&A, the pension plan is eligible to receive a refund (upon written request) of any such prepaid fees on a pro rata basis should client terminate W&A's services during the prepaid period. W&A at no time will receive more than one quarter's fees prepaid in advance.

## **Additional Consulting Services**

W&A charges either a fixed rate or an hourly rate, plus reasonable out-of-pocket expenses, for divorce consulting services as outlined in Item 4 above. As agreed upon in advance and disclosed in the agreement, estimated hours will



be determined in advance and billed as either a fixed fee or at a rate ranging from \$160-\$300 per hour. Fees will be billed on a monthly basis as the engagement progresses and will be due upon receipt of the invoice.

### **Additional Information Regarding Fees**

Clients whose accounts predate this document are subject to fee arrangements which may differ from the above schedule. The specific manner in which fees are charged by W&A is established in a client's written agreement with W&A. Generally, W&A will take into account any cash balance in its calculation of quarterly advisory fees. In certain circumstances, W&A has agreed not to bill on cash balances, however this is on a case by case basis.

On occasion, certain W&A clients may request to be invested in the Conductor Global Fund Mutual Fund series managed by IronHorse Capital Management. This creates a potential conflict of interest due to David Waddell's ownership in IronHorse Holdings, LLC, the holdings company of IronHorse Capital Management, LLC. If RAILX, RAALX and RALCX is deemed a suitable investment for such W&A clients, the clients will incur separate fees for the assets they invest in RAILX, but they will not be billed additional management fees by W&A on such assets. In contrast, a limited number of W&A clients who had previously invested in RAILX, RAALX and RALCX will be billed additional management fees by W&A on their initial and subsequent investments in RAILX.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

W&A does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

W&A provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and other U.S. corporations.

W&A imposes a \$500,000 minimum for relationships under management, except for clients on the W&Ai platform whose minimum is \$5,000. This minimum may be reduced by W&A if an account is deemed to be part of a larger group of accounts under W&A management and these accounts have satisfied the \$500,000 minimum, if the client was introduced to W&A when our account minimum was lower, or other approved circumstances. Exception to these minimums may be granted by W&A's President or Chief Administrative Officer.

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

In the implementation of investment plans, W&A primarily uses mutual funds and, as appropriate, exchange traded funds, portfolios of fixed income securities, separately managed accounts, and structured notes. Clients may hold or retain other types of assets as well, and W&A may offer advice regarding those various assets as part of its services.

W&A's investment philosophy is not constrained by capitalization size or domicile. Based on a variety of research methods, W&A develops a global, macro-economic view of the investing landscape. W&A then conducts extensive searches for relevant fund managers or securities to coincide with our macroeconomic views. Some managers use an active approach by combining fundamental, technical, bottom-up and top-down analysis to make their buy and sell decisions. Other managers use a more passive approach by adhering to a target benchmark or applying a rules-based strategy based on research that seeks to earn a long-term risk premium.

When analyzing managers, W&A focuses on a variety of factors, including but not limited to the following: manager tenure, performance track record, peer group representation, investing philosophy, portfolio composition, beta, r-squared, upside/downside capture, current conditions, future outlook, etc.

### *Risk of Loss*

#### ***Investing in securities involves risk of loss that clients should be prepared to bear.***

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

W&A's strategies do not utilize securities that W&A believes would be classified as having any unusual risks, and does not recommend frequent trading, which can increase brokerage and other costs as well as taxes. Although all investments involve risk, W&A's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients, investments directly in conservative fixed income securities to represent the fixed income class. W&A's investment philosophy is designed for investors who desire a buy and hold strategy.

Certain funds utilized by W&A may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

Additionally, clients invested in structured notes should be aware of the additional risks inherent with an investment of structured products. Structured notes are complex financial instruments. Structured notes may have complicated payoff structures that can make it difficult to accurately assess their value, risk and potential for growth through the terms of the structured note. Notes can be structured in a wide variety of ways. There are also credit risk, liquidity considerations and tax considerations related to an investment in a structured note. Offering documents for any structured note usually contain a list of perceived risks, but the list may be incomplete and/or may not be accompanied by any guidelines to assist the purchaser in understanding and weighing the likelihood or materiality of these risks. It is important that before investing in these securities that you read the prospectus or supplemental information to understand the actual terms of the risks associated with structured notes.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of W&A or the integrity of W&A's management. W&A has no information applicable to this Item.

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

### **FOCUS OPERATING, LLC and FOCUS FINANCIAL PARTNERS, LLC**

The Registrant is part of the Focus Financial Partners, LLC (“Focus”) network. As such, W&A is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”). The Focus Partners provide wealth management, benefit and investment consulting services, serving individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV, Schedule D.

W&A does not believe the Focus Partnership presents a conflict of interest with our clients. W&A has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

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

W&A has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at W&A must acknowledge the terms of the Code of Ethics annually, or as amended.

W&A invests its clients' assets almost exclusively in no-load or load-waived mutual funds consistent with clients' investment objectives. W&A's employee pension and profit sharing plans are invested in the same mutual funds that are purchased for its advisory clients. W&A strongly feels that this participation is validation of its commitment to its clients' best interests as investment decisions made by W&A affects both client and employee. While there is always the possibility of a conflict of interest in these circumstances, W&A feels that the use of diversified mutual funds mitigates the conflict greatly. Additionally, W&A employees may also have personal accounts where they effect trades for their own benefit. W&A's employees and persons associated with W&A are required to follow W&A's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of W&A and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for W&A's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of W&A will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of W&A's clients. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between W&A and its clients. In the event of a material conflict of interest, employees and principals must refrain from purchasing or selling securities that are being actively traded for clients.

W&A's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting W&A at [request@waddellandassociates.com](mailto:request@waddellandassociates.com).

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with W&A's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. W&A will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order.

It is W&A's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. W&A will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Subject to the parameters of the investment strategy employed by W&A and agreed to by its clients, there are no limitations on W&A's authority to choose the securities (and amount) bought and sold.

W&A recommends that its clients establish brokerage accounts at Charles Schwab & Co., Inc. ("Schwab") or Fidelity Institutional Wealth Services (FIWS) program sponsored by Fidelity Brokerage Services, LLC ("Fidelity"). Schwab and Fidelity are FINRA member broker dealers.

The Schwab and Fidelity brokerage programs will generally be recommended to advisory clients for the execution of mutual fund and equity securities transactions. W&A regularly reviews these programs to ensure that its recommendation is consistent with its fiduciary duty. These trading platforms are essential to W&A's service arrangements and capabilities, and W&A may not accept clients who direct the use of other brokers. As part of these programs, W&A receives benefits that it would not receive if it did not offer investment advice (See below and the disclosure under Item 14 of this Brochure).

W&A does not transact in traditional soft dollar relationships (e.g., paying up for commissions for research and brokerage), however Schwab offers certain products and services to W&A for which it reduces or eliminates fees. These include reduced UPS charges to Schwab's service center, waived wire transfer fees, discounts on the portfolio management software that W&A utilizes, and the waiver of Schwab level short-term redemption fees for certain mutual funds. Schwab may discount or waive fees it would otherwise charge for certain services, including attendance at conferences and travel arrangements, due to W&A's participation in these institutional programs. W&A believes that these discounts benefit all of its clients directly by providing reduced transaction costs and indirectly by offering discounts on products and services that enable W&A to more efficiently manage client accounts. Fidelity waives custodian short term trading fees on no transaction fee funds (NTF) for W&A clients. Fidelity also waives all fees for electronic wires.

In certain circumstances, fixed income transactions may be effected for clients through unaffiliated dual registered broker-dealers, such as Duncan Williams, Inc. or Carty and Co. The decision to step-out fixed income trades to a different broker-dealer, taking into consideration best execution, is based on the availability of inventory for municipal and government agency fixed income positions provided by the broker-dealer. W&A attempts to receive multiple bids or offers from other broker-dealers prior to executing step-out trades to ensure that the client is receiving the best possible execution.

### **Item 13 – Review of Accounts**

#### **Investment Management/Financial Planning Services:**

An investment advisor representative is assigned to each account and that investment advisor representative will review each account periodically. The review process contains each of the following elements:

- A. assessing client goals and objectives;
- B. evaluating the employed strategy(ies);
- C. monitoring the portfolio(s); and
- D. addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- A. a specific client request;
- B. a change in client goals and objectives;
- C. an imbalance in a portfolio asset allocation; and
- D. market/economic conditions.

#### **Employee Benefit Retirement Plan Services:**

Employee benefit retirement plan investment selections are monitored on a periodic basis and according to the standards and situations described above for investment management accounts.

#### **Financial Planning Services (Stand Alone Plans):**

Stand-alone financial plans are reviewed at the inception of the advisory relationship and receive no further on-going reviews.

#### **Reports:**

Clients receive either monthly or quarterly reports that summarize the client's account and asset allocation from their account custodian, Charles Schwab Inc. or Fidelity. In addition, clients may also receive reports periodically from W&A. W&A does not provide clients with monthly portfolio reports, but will provide reports upon a client's request.

## Item 14 – Client Referrals and Other Compensation

### Client Referrals

W&A may from time to time compensate, either directly or indirectly, any person (defined as a natural person or a company) for client referrals. W&A is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by W&A and all applicable Federal and/or State laws will be observed. Clients should understand that third party solicitors have an economic incentive to recommend the advisory services of W&A.

W&A has entered into various referral arrangements, either with various CPA firms or other businesses, pursuant to which it pays a referral fee in the range of 20-50% of the advisory fee paid by the referred client. These referral arrangements are ongoing until such time as referral is no longer a client of either the firm or W&A. This relationship is fully disclosed to the client and does not result in the client paying any fees in excess of W&A's fee schedule indicated in Item 5.

### Other Compensation

As indicated under Item 12, W&A participates in the Schwab Institutional services and Fidelity Institutional Wealth Services (FIWS) programs offered to independent investment advisers by Charles Schwab & Company, Inc. and Fidelity Brokerage Services, respectively. Schwab and FIWS provide a trading platform that is essential to W&A's service arrangements and capabilities; however, W&A regularly reviews these programs to ensure that its recommendation is consistent with its fiduciary duty. As part of this program, W&A receives benefits that it would not receive if it did not offer investment advice, which include, but are not limited to, federal wire fee waivers, discounted overnight delivery, annual discount on Schwab's Portfolio Center system, and Schwab level short term redemption fee waivers. While as a fiduciary, W&A endeavors to act in its clients' best interests, W&A's requirement that clients maintain their assets in accounts at Schwab or FIWS may be based in part on the benefit to W&A of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest.

The benefits received through participation in the SAS and FIWS programs do not depend upon the amount of transactions directed to, or amount of assets custodied by, the respective broker custodians.

In the past, W&A entered into an agreement with Charles Schwab & Co., Inc., an independent and unaffiliated FINRA broker-dealer, to participate in Schwab Advisor Network ("the Service"), an advisor referral service designed to help investors find an independent advisor. Schwab does not supervise W&A and has no responsibility for W&A's management of client's portfolios or any other advice or service offered by W&A. While not a current member of the Service, W&A pays Schwab fees for previous client referrals through the Service as described below.

Though currently no longer a member of the Service, W&A pays Schwab fees for all previously referred clients' accounts that are maintained in custody at Schwab. This Participation Fee is a percentage of the fees the client owes to W&A, subject to a minimum Participation Fee. W&A pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab and the account is assessed an investment management fee by W&A. The Participation Fee is billed to W&A quarterly and may be increased, decreased or waived by Schwab from time



to time. The Participation Fee is paid by W&A and not by the client. This relationship is fully disclosed to the client, and W&A has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs W&A charges clients with similar portfolios who were not referred through the Service.

In addition, should W&A recommend that managed assets of referred clients be transferred from and held outside of Schwab, W&A will also pay Schwab a one-time asset-based Non-Schwab Custody Fee. This fee does not apply if the client is solely responsible for the decision not to maintain custody at Schwab.

Periodically Focus Financial Partners, LLC ("Focus"), W&A's parent company, holds partnership meetings and other industry and best-practices conferences, which typically include Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus Firms, including W&A. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including W&A. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause W&A to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship Fees only to defraying the cost of the meetings or future meetings and not as revenue for itself or any affiliate, including W&A. Conference sponsorship fees are not dependent on assets placed with any specific provider, or the revenue generated by asset placement. The following entities have provided conference sponsorship to Focus in the last year: Fidelity Brokerage Services; J.P. Morgan Asset Management; Charles G. Schwab & Co.; and Lord Abbett & Co.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. W&A urges clients to carefully review such statements and compare such official custodial records to the account statements that W&A may provide to you. W&A's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

W&A usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, W&A observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to W&A in writing.

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

W&A has adopted proxy voting policies and procedures designed to vote proxies efficiently and in the best interest of its client. W&A seeks to identify any material conflicts of interest and to ensure that any such conflicts do not

interfere with voting in clients' best interests. W&A has retained a third-party service provider to assist with the voting and record-keeping of client's proxy ballots. Clients may obtain a copy of W&A's proxy voting policies and information about how W&A voted a client's proxies by contacting W&A.

For accounts W&A considers unmanaged, W&A will generally not vote proxies on behalf of clients except if requested specifically by the client. These clients retain the responsibility to vote all ballots for these unmanaged accounts.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about W&A's financial condition. W&A has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.