



## **WorthPointe, LLC**

**888 Prospect Street, Suite 200**

**La Jolla, California 92037**

**(800) 620-4232**

**March 6, 2020**

**[www.worthpointeinvest.com](http://www.worthpointeinvest.com)**

**FORM ADV PART 2A**

**BROCHURE**

**This Brochure provides information about the qualifications and business practices of WorthPointe, LLC. If you have any questions about the contents of this Brochure, please contact Allison Blake, Chief Compliance Officer, at (800) 620-4232 or [allison.blake@wpwm.com](mailto:allison.blake@wpwm.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about WorthPointe, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Click on the "Investment Adviser Search" link and then search for "Investment Adviser Firm" using the firm's IARD number, which is 143996.**

## Item 2 Summary of Material Changes

This Item 2 discloses material changes that have been made to this Brochure since the last annual update filed March 28, 2019.

- Item 5 was amended to clarify the firm's maximum fee and minimum quarterly fee.

The above list is a description of the material changes made to our firm's current Disclosure Brochure (Form ADV Part 2A). Clients may request the entire Brochure by contacting their WorthPointe Representative, at the contact information on the Representative's Brochure Supplement previously provided, or our Chief Compliance Officer, Allison Blake, at (800) 620-4232, [allison.blake@wpwm.com](mailto:allison.blake@wpwm.com), to discuss any questions or comments.

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## **Item 4 Advisory Business**

### **Our Company**

WorthPointe, LLC ("WorthPointe," "Adviser," or "Firm") is a California limited liability company, whose principal owners are Christopher P. Van Slyke (through his investment in Worthhold, Inc.) and Anthony Ferreira. Day-to-day strategic and administrative decision-making for WorthPointe is performed primarily by Mr. Van Slyke. WorthPointe has representatives in several different offices, located in and around La Jolla and Newport Beach, California, Austin and Dallas, Texas, and Jackson, Wyoming.

This Brochure provides important information about WorthPointe, its services and compensation, the costs of its services, and situations where conflicts exist between the interests of its Clients and the interests of the Firm or its investment adviser representatives (each a "Representative"). Clients should pay particular attention to these conflicts of interest because they can affect WorthPointe's or the Representatives' decisions in managing the Client's account, in recommending a custodian or choosing a broker for the account, and in recommending or selecting investments, among other important considerations.

Clients and prospective Clients who have questions about WorthPointe's services, or the fees and expenses they will incur, or about the businesses discussed in this Brochure, or about other matters concerning the services we provide, or our role as the Client's investment adviser should contact their WorthPointe Representative at the email address, telephone number, or street address shown on the Brochure Supplement provided by the Representative. They may also reach our management, including our Chief Compliance Officer, at (800) 620-4232 or [allison.blake@wpwm.com](mailto:allison.blake@wpwm.com), or at the address shown on the front of this Brochure.

### **WorthPointe Service Programs**

WorthPointe offers a discretionary managed account program, and a range of financial planning and consulting services, which are grouped under the following two service programs:

- WorthPointe Management Program
- Financial Consulting Service Program

This Brochure does not purport to describe every detail of our Programs. WorthPointe reserves the right, in its sole discretion, to negotiate the terms of Client Advisory Agreements. As a result, Clients are urged to review their individual Advisory Agreement for the specific terms that apply to them.

#### **WorthPointe Management Program**

Through the WM Program, WorthPointe offers Clients a fully discretionary managed account solution. The relationship between WorthPointe and the Client begins with the Representative getting to know the Client, and listening to the Client's needs and objectives. During the preliminary discussions, the Representative will obtain information about the Client and the Client's family and financial situation, investment objective, tolerance for risk/volatility, and other pertinent information (all the "Suitability Information").

Based on the Suitability Information, the Representative will assist the Client to identify a suitable allocation of the Client's assets across a variety of asset classes, including, equities, fixed income, and cash. For many Clients, WorthPointe is able to meet their investment needs through one of our core model portfolios. For Clients with more complex investment needs, WorthPointe is able to leverage the review and research of our Investment Committee to broaden a portfolio's exposure to additional asset classes or to increase its weighting within a specific class through greater depth across manager style, industry sector or capitalization, or other

characteristics. Through this discovery process, the Representative will assist the Client to identify the WorthPointe model portfolio that reflects the appropriate asset classes, allocated in such proportions most closely aligned with Client's investment objective, target for account risk/volatility, and other key parameters.

WorthPointe will implement the initial model portfolio for Client's account by investing the Client's Assets in a "Portfolio" of carefully chosen and allocated mutual funds selected to reflect the asset classes of the model portfolio. At present, WorthPointe's model portfolios are implemented through a diversified mix of mutual funds advised by Dimensional Fund Advisors LP ("DFA") or other mutual fund families.

### ***Custodian***

Clients who wish to participate in the WM Program must maintain the assets to be managed pursuant to this Agreement (including all additions, gains, and income thereto, collectively the "Managed Assets") with a qualified custodian acceptable to WorthPointe, in its sole discretion, to be maintained in accounts (collectively, if more than one, the "Managed Account"), in Client's name. WorthPointe recommends Clients use the custodial and brokerage services of: Charles Schwab & Co., Inc., member FINRA/SIPC, through one or more of its affiliated broker-dealers (collectively referred to as "Schwab"), or TD Ameritrade Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC, through one or more of its affiliated broker-dealers (collectively referred to as "TD Ameritrade"). Schwab and TD Ameritrade are independent broker-dealers not affiliated with WorthPointe. Schwab and TD Ameritrade are referred to collectively as "Custodian."

### ***Account Expectations, Expenses & Taxes***

WorthPointe seeks to control Client investment fees and expenses through its choices of mutual fund families, and subject to the needs of prudent portfolio management, the efficient administration and management of all of our clients' Portfolios, and the discretion of our portfolio managers and traders, we endeavor to control transaction costs. Neither WorthPointe nor the Representatives are acting as accountants or tax advisors for Client, and are not providing tax advice; Client must rely on his or her own tax advisors with respect to the tax consequences of transactions involving the Managed Assets.

### ***Discretionary or Non-Discretionary Account***

In the Advisory Agreement, Client will grant WorthPointe full authority and discretion to manage the Managed Account(s) and Managed Assets, without prior consent of, or notice to, Client, and WorthPointe will provide continuous and regular investment management services with respect to the Managed Account(s) and Managed Assets in seeking to achieve the Managed Account's objectives. WorthPointe may elect to change (on either a temporary or permanent basis) the mutual funds or fund families used to implement a Portfolio, and the asset classes and class weightings of a Portfolio, for example. WorthPointe may also change the investment strategy for a particular Portfolio, and may designate a different Portfolio for a Managed Account, without prior notice to, or consent of, the Client.

All Managed Accounts are fully discretionary, unless WorthPointe specifically agrees to accept an account on a non-discretionary basis, which it shall decide in its sole discretion. If WorthPointe agrees to accept an account on a non-discretionary basis, WorthPointe will have an ongoing responsibility to select or make recommendations as to specific securities or other investments the account may purchase or sell, based upon the needs of the Client. Except in the case of non-discretionary accounts to be treated as Advised Accounts (as described below), WorthPointe will be responsible for arranging or effecting the security purchases or sales of non-discretionary accounts. Representative will provide services for such non-discretionary accounts on a periodic basis, as provided in the Advisory Agreement.

From time to time, Client may identify to WorthPointe certain investment accounts (typically, but not exclusively, retirement or employee benefit accounts) with respect to which Client requests WorthPointe's investment advice, but which WorthPointe is not be able to manage on a discretionary basis nor is it able to place trades for the account. Under those circumstances, WorthPointe may, in its discretion, agree to accept such accounts (each an "Advised Account") to provide non-discretionary investment recommendations with respect to the assets (the "Advised Assets") maintained with the plan administrator, trustee, or other qualified custodian of the Advised Account, the terms of which to be negotiated on a Client-by-Client basis, depending on the nature of the Advised Account and Advised Assets, and the frequency of monitoring and recommendations requested by the Client. If Client wishes to implement WorthPointe's ideas or recommendations with respect to Advised Assets, Client will have sole responsibility for placing trades with the appropriate plan administrator, trustee, or other qualified custodian, or their designated broker or other financial intermediary, in order to buy, sell, or exchange investments maintained as Advised Assets.

Clients should be aware that because of the time delays involved in obtaining Client consent for trades in non-discretionary accounts, WorthPointe's policies provide for it to place orders for discretionary accounts before contacting Clients of non-discretionary accounts for consent and placing orders for these accounts. Although this practice is not expected to affect investments in mutual funds (which should obtain the same daily NAV price), it may materially affect the prices discretionary accounts receive for other types of Portfolio investments. As a result, discretionary accounts may perform materially differently than non-discretionary accounts.

***Please refer to Item 8 for information about WorthPointe's methods of analysis and investment strategies, the types of investments WorthPointe generally recommends, and the material risks involved with respect to the WM Program. Refer to Item 12 for information regarding brokerage.***

#### ***Subadvisers, Third-Party Managers & Third-Party Programs***

In its discretion, WorthPointe is authorized to engage one or more investment managers (each a "Subadviser," also referred to as a "Manager"), which WorthPointe may engage as its subadviser. WorthPointe may delegate the discretionary management of all or part of any Managed Account, based upon the Managed Account's stated investment objective and risk/volatility parameter, without prior consultation with the Client and without the Client's prior consent. In WorthPointe's discretion, it may grant a Manager authority to further delegate such discretionary investment authority to additional Managers. Each such Manager shall have limited power-of-attorney and trading authority over the Managed Assets directed to them for management and shall be authorized to buy, sell, and trade in securities in accordance with the Managed Account's investment objective and risk/volatility parameter as communicated by WorthPointe (or any delegating Manager), and to give instructions in furtherance of such trading authority to any Broker-Dealer and Custodian.

In most arrangements involving Subadvisers, Client will generally not have a direct agreement with the Subadviser. In those cases, advisory fees charged by a Subadviser will be deducted from the Account and paid directly to the Subadviser. However, from time to time, the investment programs of certain Sponsors will require the Subadviser to enter into a subadvisory agreement with WorthPointe, but also require the Subadviser to enter into a direct agreement with the Client. In such cases, the Client will also be required to enter into a separate management agreement with the Subadviser, upon WorthPointe's request.

In addition to the Subadviser arrangements, WorthPointe may also approve from time to time one or more investment program(s) (each a "Third-Party Program") sponsored by a third-party investment firm (each a "Sponsor"), through which the Managed Assets will be allocated to one or more third-party investment managers available through the Third-Party Program (referred to as a "Third-Party Manager," or a "Manager"). In a Third-Party Program, Client's relationship with WorthPointe will be governed by the Advisory Agreement; however, Client's relationship with respect to the Sponsor and each Manager will be governed by and subject to the terms of the separate agreement (the "Third-Party Agreement") between Client, the Sponsor, and in some programs, the Manager(s). Each Manager designated for Client will manage the Managed Assets allocated to the

Manager, according to the Manager's designated investment portfolio and style. The Client will receive from the Sponsor or Manager the Form ADV Part 2A Brochure of the Sponsor, and the Brochure of each Manager engaged to manage Client's Assets.

***Authority Regarding Managers and Programs***

Client will authorize WorthPointe to "hire and fire," add, terminate, replace, and change any Manager, whether as Subadviser or Third-Party Manager, in a subadvisory program, in a Third-Party Program, or otherwise, when, in WorthPointe's sole discretion, it determine's such action is in Client's or any Managed Account's best interest. WorthPointe will review and monitor the Managed Accounts managed by each Manager. For such services WorthPointe shall be paid its Advisory Fee with respect to the Managed Assets managed by each Manager.

Clients interested in a Subadviser or Third-Party Program will receive from the Representative information regarding the available Managers in which the Client is interested, once the Client's needs and objectives have been identified. Client will authorize the Custodian maintaining the Managed Assets managed by a Subadviser or Third-Party Manager to provide account statements and confirmations of transactions (electronically or via internet) to WorthPointe and the Representative, along with an indication that account statements have been sent to the Client, and to permit WorthPointe and the Representative to electronically view and download account information. Client will grant WorthPointe and the Representative unrestricted access to such account information.

***Please refer to Item 8 for information about WorthPointe's methods of analysis and investment strategies, the types of investments WorthPointe generally recommends, and the material risks involved with respect to the Investment Management Program. Refer to Item 12 for information regarding brokerage.***

## Financial Consulting Service Program

Through the Financial Consulting Service Program, WorthPointe provides a range of financial consulting services to address a variety of financial planning and consulting needs, as categorized below:

Business Planning	Investment Consulting
Cash Flow Forecasting	Insurance Needs Analysis
Asset Allocation	Retirement Plan Analysis
Retirement Planning	Charitable Giving
Estate Planning	Risk Management
Financial Reporting	Distribution Planning

Clients interested in these services will enter into a written Advisory Agreement with WorthPointe that describes the specific Financial Consulting Service(s) to be provided, the fees to be charged, and any additional pertinent details, such as whether a written report or plan will be provided, and if so, whether in hard copy or electronic format. A written or electronic report or financial plan will not be provided, unless specifically provided in the Advisory Agreement.

WorthPointe's project or consulting fee will vary depending on the nature, complexity, and scope of the services to be provided, as well as other factors, such as the identity of the Client, potential for new or additional assets or referrals, and other factors subject to our discretion. Advice is based on objectives communicated, either orally or in writing, by the Client or the Client's advisers. Advice may be provided through individual consultations or a written plan document, as agreed between WorthPointe and Client.

Depending on the project or service to be provided, Clients may be asked to provide detailed information about the Client's personal and family situation, estate and retirement plans, trust agreements, wills, investments, insurance, or other information necessary to provide the specific services requested. For specific types of services, based on the information provided by the Client, the Representative will develop recommendations to help the Client towards achieving his or her investment objectives. Please note the Financial Consulting Services are **not** intended to be a "comprehensive financial plan."

## Information Regarding Our Services

### *Reliance on Information from Client, Client's Professionals & Third Parties*

In providing the services through the WM Program and the Financial Consulting Service Program, WorthPointe and the Representative will rely on information from Client, and in certain cases, information from Client's advisers (e.g., attorneys, accountants, etc.), as well as on certain assumptions and estimates regarding a number of important factors, such as Client's financial or tax condition or liabilities, that may or may not turn out to be accurate at any time. This information and assumptions will often include information and subjects such as future market performance and investment returns, anticipated and reasonably foreseeable living and medical expenses, tax laws, interest rates, and other factors.

WorthPointe does not verify information received from Client or from such other professionals, and WorthPointe is expressly authorized to rely on such information. As a result of likely differences between the items assumed and the actual situation at any time in the future, Client's (or Client's successors') financial situation or needs may be materially different than anticipated and Client's financial or investment objectives may not be achieved. Clients are advised that it remains their responsibility to promptly notify WorthPointe of material changes in their financial situation, needs, or investment objectives, to allow for reviewing, re-evaluating, or revising WorthPointe's previous recommendations or services.

### *Changes in Client Circumstances*

Clients are advised that changes in their personal or financial situation, investment objectives, tolerance for risk, investment time horizon, or other Suitability Information may cause a Portfolio or strategy to become no longer suitable. In the event of any material change in Client's personal or financial circumstances, Client should notify WorthPointe, in writing, so that we may assist in identifying another Portfolio, program, strategy or other investments that better meet the Client's needs.

### *Management of Account Until We Receive Notice*

Unless and until the Client notifies WorthPointe, in writing, to designate a different Portfolio, for their Account, or notifies WorthPointe of material changes in their Suitability Information, or to impose reasonable restrictions on the investment of their Account, WorthPointe will continue to manage the Managed Account according to the Suitability Information in WorthPointe's records.

## Assets under Management

As of January 30, 2020, WorthPointe managed \$623,856,296 of Client assets on a discretionary basis, and provided services with respect to an additional \$15,641,776 of assets under advisement.



## Item 5 Fees and Compensation

Prior to engaging WorthPointe, the Client will be required to enter into a written Advisory Agreement with WorthPointe setting forth the terms and conditions of the engagement and describing the scope of the services to be provided.

### Fees for the WM Program

#### *Maximum Advisory Fee Rate*

Pursuant to the Advisory Agreement, Clients shall pay Advisory Fees for the WM Program, which shall be based on the Advisory Fee Rates in the Client's Advisory Agreement. Advisory Fee Rates shall be available in

- an "assets under management" version (the "AUM Clients") for Clients prefer to have their Advisory Fee Rate Schedule determined by their aggregate value of their household assets under management with Adviser through the WM Program; or
- a household net worth-based version ("NW Clients").

For the AUM Clients, the calculation is based on the assets we manage through the WM Program for all Managed Accounts in Client's household, subject to a minimum quarterly fee of \$1,250. For the NW Clients, the calculation is subject to the same rules as used to determine "High Net Worth Individuals" for purposes of SEC Form ADV, Part 1A, Item 5.D (which excludes the value of a person's personal residence). The customary maximum Advisory Fee Rate for the AUM Clients is 1.00%, with the exception of those accounts that utilize margin strategies. In those cases, clients may be subject to a maximum fee of 1.30%. For the NW Clients, the maximum fee is an annual Advisory Fee Rate of 0.40%. In addition, clients opting for strategies managed by a third-party advisor may be subject to additional fees assessed by the third-party advisor. Clients should refer to the applicable third-party advisor's disclosure brochure (Form ADV Part 2A) for a complete discussion of fees. WorthPointe does not receive any portion of the fee assessed by the third-party advisor.

Advisory Fees for the WM Program shall be calculated and paid quarterly, in advance, based upon the closing market value of the Managed Accounts on the last day of the previous calendar quarter; provided, for the initial calendar quarter, the Advisory Fees are based on the amount deposited into the Managed Account during the first calendar quarter after the date of the Advisory Agreement. No portion of the Advisory Fees shall be based on capital gains or capital appreciation of the Managed Accounts.

Except as provided below, the value of the Managed Assets shall be determined by reference to the valuations provided by or available from each Custodian. If the last trading day of a calendar quarter or other period for which we calculate Advisory Fees is different than the last day of a Custodian's reporting or statement period, we may value Managed Assets maintained by such Custodian as of the close of the Custodian's reporting or statement period, as we shall select on a consistent basis for each Custodian.

Fees are calculated on a per account basis unless accounts are designated as part of a household, as WorthPointe determines in its sole discretion. Advisory Fees may be calculated on the basis of the actual number of days in a calendar quarter or on the basis of 4 even calendar quarters, as WorthPointe elect to apply on a consistent basis.

### Additional Fees & Expenses

The Advisory Fees are separate from a number of other expenses Managed Accounts will incur, including:

- Brokerage and Investment Expenses

- Investment Company Expenses
- Custodial Expenses
- Brokerage and Investment Expenses
- Third-party Advisor Fees (if applicable)

### ***Brokerage and Investment Expenses***

As used in this Brochure, the term "Brokerage and Investment Expenses" refers to the following:

- commissions, ticket charges, and other fees charged by brokers (including the Custodians) who execute securities transactions for the Managed Account on an agency basis;
- mark-ups, mark-downs, or other spreads included in the amount charged by or paid to a dealer for securities bought or sold on a principal basis, and underwriting fees, dealer concessions, or related compensation in connection with securities acquired in underwritten offerings;
- odd lot differentials, transfer or other taxes, floor brokerage fees, exchange fees, service and handling fees, electronic fund or wire transfer fees, costs of exchanging currencies, and postage and delivery expenses; and
- costs of cash management services (including for "sweep" arrangements of idle cash into bank deposit accounts or money market mutual fund accounts), and direct and indirect fees for other financial or investment services provided by brokers or custodians.
- WorthPointe does not receive any of the Brokerage and Investment Expenses. Please refer to Item 12 for additional information about our brokerage practices and costs.

### ***Investment Company Expenses***

As used in this Brochure, the term "Investment Company Expenses" refers to the following:

- Mutual funds, money market funds, ETF's, variable annuities, and UIT's (all referred to as a "fund") deduct from their assets the internal management fees, operating costs, and investment expenses they incur to operate the fund, and the administrative and mortality costs of the variable annuity. These internal expenses also include record keeping fees, and transfer and sub-transfer agent fees, among others. All of these represent indirect expenses that are charged to the fund's shareholders.
- Frequently, these internal expenses also include "Distribution Fees." These amounts are deducted from the fund's assets to compensate brokers who sell fund shares, as well as to pay for advertising, printing and mailing prospectuses to new investors, and printing and mailing sales literature. Mutual fund internal expenses also commonly include "Shareholder Service Fees" which are amounts deducted from the fund's assets to pay the costs of responding to investor inquiries and providing investors with information about their accounts.
- Distribution Fees and Shareholder Service Fees are referred to collectively as "12b-1 Fees," named after the SEC rule that adopted them. The 12b-1 Fees are calculated for each class of shares of a fund, and are calculated as a percentage of the total assets attributable to the share class. The 12b-1 Fees and other ongoing expenses are described in the fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help compare the annual expenses of different funds.
- Mutual funds may also impose an early redemption fee if shares are redeemed within a short time period, usually within 30, 60 or 90 days from the date of purchase. The redemption fee is generally one percent. WorthPointe does not receive any of the Investment Company Expenses for investments in a Managed Account.

## ***Custodial Expenses***

As used in this Brochure, the term "Custodial Expenses" refers to the cost of services provided by their Custodian for:

- arranging for the receipt and delivery of securities that are purchased, sold, borrowed or loaned for the Managed Account;
- making and receiving payments with respect to Managed Account transactions and securities;
- maintaining custody of Managed Account securities; and
- maintaining custody of cash, receiving dividends, and processing exchanges, distributions, and rights accruing to the Client's account.
- The Custodian may be compensated through commissions or other transaction-based fees for securities transactions executed through the Custodian (or its affiliates) or by asset-based fees for investments settled into the Custodian's accounts, or both. The specific fees and terms of each Custodian's services are described in the Client's separate custodial agreement. Refer to the following discussion regarding Transaction-Based Pricing and Asset-Based Pricing Arrangements.

Refer to Item 12 for more information regarding brokerage services provided by the Custodians.

## ***Transaction-Based Pricing and Asset-Based Pricing Arrangements***

In the WM Program, the Client agrees with the Custodian, for each Managed Account, whether to pay for custodial services through either (i) Transaction-Based Pricing ("TBP") or (ii) Asset-Based Pricing ("ABP"). In a Transaction-Based Pricing arrangement, the Managed Account is charged a transaction charge for each securities transaction the Custodian (or its broker-dealer affiliate) executes. Alternatively, in an Asset-Based Pricing arrangement, the Client's Managed Account is charged a fee based on a percentage of the Managed Account's value for the Custodian's services, with a limited number of trades included per year (the "Transaction Limit"), and any trades over the Transaction Limit charged a separate transaction charge, according to the Custodian's Fee Schedule.

Choosing between the custodial pricing arrangements requires consideration of a number of factors, such as, current and anticipated levels of trading, types of securities in the portfolio, and the Custodian's Fee Schedule and Transaction Limit, among other important factors. Overall, accounts for which the level of trading has been or is expected to decline below the Transaction Limit may find TBP more favorable, whereas accounts with relatively higher levels of trading may benefit from an ABP arrangement. WorthPointe has discretion to direct the Custodian to transition a Managed Account from one pricing arrangement to another by instruction to the Custodian. The Custodian will generally permit transitions of an Account from one pricing type to another to accommodate changes in Account activity; however, these opportunities will be limited in frequency (e.g., once a year, for example), in the number of such transitions per Account, and may involve a charge by the Custodian. Clients who have questions about the benefits of each type of arrangement, or are considering whether to transition to a different pricing arrangement, should take care to consult with their Representative to discuss future Account investment activity, among other factors that can influence the choice of pricing arrangement.

## Fees for Subadvisers, Third-Party Managers & Third-Party Programs

In addition to the Advisory Fee, payable to us, if any portion of the Managed Account assets are managed by a Manager, whether as subadviser or as a Third-Party Manager, Client agrees to pay, in addition to our Advisory Fee with respect to such assets, the management fees, platform fees, and other fees and expenses imposed by the Manager(s) (whether as Subadviser or Third-Party Manager) or the Third-Party Program (collectively referred to as the "Third-Party Program Fees").

Clients may also incur indirect expenses, such as investment or brokerage costs, investment expenses, custodial fees, brokerage commissions, transaction fees, indirect charges imposed by a mutual fund or exchange traded fund on investors (e.g., fund management fees and other fund expenses), odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The amount of the Subadviser's Fee, or Third-Party Program Fee will vary with the specific Manager or Third-Party Program; provided, the Maximum Third-Party Program Fee Rate is 2.95% expressed as an annual percentage, but calculated and payable quarterly in advance, unless WorthPointe notifies the Client in advance to permit the Client to evaluate whether to incur higher amounts.

### ***Changes in Fee Calculation and Billing Procedures***

Clients should be aware that a Subadviser, Third-Party Manager or Sponsor (or their related party) may act as collection agent for our Advisory Fees and Platform Fees, and may instruct any Custodian to debit our fees from a Managed Account or Third-Party Managed Account. Clients agree that our fee calculation methods, billing periods and assumptions, and valuation procedures may change to be consistent with the fee calculation methods, billing periods and assumptions, and valuation procedures (average daily value versus value as of fixed valuation date) used by such Managers, Sponsor, or other parties. Consequently, in our discretion, we may change the fee calculation methods, billing periods and assumptions, and valuation procedures for calculating Advisory Fees and Platform Fees from those described above or in the Client's Advisory Agreement, as we determine appropriate so that they reasonably reflect the procedures used by such Subadviser, Third-Party Manager or Sponsor. However, such changes will not cause the Advisory Fee Rate or Third-Party Program Fee Rate to exceed the maximums stated above, unless we provide Client with at least 30 days' prior notice of such changes.

### ***Minimum Account Sizes & Minimum Fees***

Sponsors or Managers may impose minimum account sizes which may range up to \$250,000 (or higher) depending on type of portfolio. Each Manager and Third-Party Program may impose a minimum annual management fees per account, subject to negotiation. Clients receiving services from more than one Manager or participating in more than one Third-Party Program may be subject to a prorated minimum fee for each Third-Party Program, determined quarterly based on the proportion of the Client's total Third-Party Program Assets in each Program.

Additionally, some Sponsors impose a minimum platform fee of up to \$150 per account. For certain Managers, the minimum annual Platform Fee may be higher. The Client will be advised of any higher minimum Platform Fee. Annual minimum fees are expressed as annual amounts, but are determined and assessed based on the quarterly Third-Party Program Asset values used in determining Advisory Fees. For example, if an account has a \$2500 minimum annual Advisory Fee, it will be assessed a minimum fee of approximately \$625 every quarter. Therefore, if a Client has large asset inflows or outflows during the year, depending on the timing of such transactions, it is possible for the account to be assessed a minimum fee for a particular quarter even if the account's average balance for the entire year is above the minimum asset value threshold.

### ***Additional Fees and Expenses***

Clients should be aware that they will incur other types of costs in connection with Managers or Third-Party Programs, which are in addition to the Advisory Fees and Platform Fees owed to WorthPointe. For example, the Client will incur the Additional Fees and Expenses, as described Item 5, which include Brokerage and Investment Expenses, Investment Company Expenses, and Custodial Expenses. These will be explained in the disclosure documents from each Manager or Sponsor of Third-Party Program the Client selects. WorthPointe will not be able to manage the Additional Fees and Expenses incurred by Third-Party Managed Accounts because such fees and expenses are controlled by the Managers; additionally, the amounts paid by a Third-Party Managed Account for Additional Fees and Expenses are not controlled by a Client's Asset-Based Pricing or Transaction-Based Pricing arrangements, but are controlled solely by the separate agreements with respect to the Third-Party Program.

### **Fees for Financial Consulting Services**

For Financial Consulting Services, WorthPointe generally charges a negotiable hourly or fixed fee, typically ranging from \$100 to \$400 on an hourly basis and up to \$5,000 (or more) on a fixed fee basis, depending on the scope and complexity of the engagement and the professional providing the underlying services. The specific fee arrangement will be described in the client's Advisory Agreement, and if an hourly arrangement, the agreement will include the hourly rate and an estimate of the total fee. Client will pay a deposit of half of the fee at the signing of the Advisory Agreement with the balance of the actual fee payable upon completion of the agreed services, as described in the client's Advisory Agreement.

Depending on the nature and scope of the services to be provided, services are typically completed between 30 and 120 days, provided the client promptly provides all information needed to complete the services. Financial Planning Services terminate upon completion of the services described in the Financial Planning Agreement; provided, either party may terminate the Agreement at any time.

Depending on the arrangement, if the client engages WorthPointe for additional advisory services, WorthPointe may offset all or a portion of its fees for those services based upon the amount paid for the Financial Planning or Consulting Services.

### **General Information Regarding Fees**

#### ***Risk of Liquidations to Pay Fees***

The Custodian will be authorized to deduct the Advisory Fees directly from the Client's account, without notice to the Client. If sufficient cash is not available in the account to pay the Advisory Fees when due, the Custodian will liquidate securities selected by the Custodian or us without prior notice to the Client. If mutual funds (or variable annuity subaccounts) are liquidated, the Client may be charged a contingent deferred sales charge, a redemption or surrender fee, or a fee to discourage short-term trading of fund shares. If the liquidated securities have declined in value, the Client will realize a loss and lose the opportunity for future appreciation of the securities.

#### ***Deduction of Fees from Custodial Account***

The Advisory Agreement authorizes and directs the Custodian to deduct the Advisory Fees directly from the Managed Account upon receipt of our instructions. We require clients to authorize the Custodian to deduct the Advisory Fees from the Managed Account and pay us directly. Clients are not generally permitted to choose to

have Advisory Fees billed directly to them for payment in lieu of billing the Custodian; however, this term may be negotiable in our sole discretion. The amount of the Advisory Fee deducted by the Custodian will be reflected on the Custodian's regular statements to the client.

### ***Fair Valuation of Assets***

Typically, the value of the Managed Account and Program Assets will be based on the value reported by the Custodian on its statements (or its internal electronic system). In the event a Custodian does not value the Managed Account or any asset, or we determine a Custodian's value of the Managed Account or an asset is materially inaccurate, the Managed Account or such asset shall be valued by us in good faith to reflect its fair value. Money market accounts and bank accounts, if any, shall be valued as of the valuation date. Transactions that have not settled may be included in either the current or the following period, as determined for the Managed Account maintained with each Custodian on a consistent basis.

For clients with assets maintained with more than one Custodian (or in more than one of our programs), we will usually calculate the value of accounts and the Advisory Fees separately for each program and Custodian, as we determine in our discretion; however, in our sole discretion, we may aggregate the values for purposes of achieving any discounts which may be available under our fee schedule(s). The valuation method and time periods used to value the account and calculate Advisory Fees will be applied consistently for each Custodian, but may differ from the valuation method and time periods used to value the account or calculate combined Advisory Fees of other Custodians.

### ***Negotiability of Fees & Other Terms***

For all services, WorthPointe has the discretion to negotiate its fees, minimum account size, minimum annual fee, and other terms of each client's relationship with WorthPointe, and to negotiate different fees, minimums, or other terms on a client-by-client basis. When considering these matters, WorthPointe usually considers the amount of assets to be placed under management by the client and related accounts, anticipated future revenues and anticipated future assets or other business from the client or related persons, and other existing or anticipated relationships. WorthPointe may elect, in its discretion, to aggregate related client accounts for the purpose of achieving the minimum account size requirements and determining fees.

Because Advisory Fees and other terms of programs and services may be negotiated separately with individual clients, some accounts pay lower Advisory Fees than other accounts. Waivers, discounts or more favorable terms not generally available to other clients may be offered to family members and friends of employees and affiliates. WorthPointe may allow members of the same household to be aggregated for purposes of determining the advisory fee. Such aggregation may be allowed when WorthPointe services accounts on behalf of minor children of current Clients, individual and joint accounts for a spouse.

### ***Evaluate All Costs of Our Program***

When evaluating the overall costs and benefits of the WorthPointe Program, Clients should consider not just the Advisory Fees, but also the Brokerage and Investment Expenses, the Investment Company Expenses, and Custodial Expenses. Clients should consider carefully all of these direct and indirect fees and expenses of our services and the investment products WorthPointe recommends to fully understand the total costs and assess the value of WorthPointe's services. Our Advisory Fees and the other costs of the WorthPointe Program may be higher than amounts charged by other advisers or financial services firms for similar services.

### ***Fees in Advance and Terminations***

Advisory Fees for the WM Program (including Managers and Third-Party Programs), Financial Consulting Services, and Services are paid in advance.



The Advisory Agreement for any service may be terminated after the delivery by one party to the other of a written termination notice. Client also has the right to terminate the Advisory Agreement for any service without incurring any fees or other penalty within five (5) business days after the Effective Date.

If an Advisory Agreement for the WM Program is terminated more than five (5) business days after the Effective Date, any prepaid Advisory Fees shall be prorated based on the number of days the Advisory Agreement was in effect during the calendar quarter. Upon termination of the Advisory Agreement, the Managed Account and all Third-Party Managed Accounts may be charged the customary fees and commissions charged by the Custodian for its services with respect to closing such accounts and holding, transferring or liquidating the Managed Assets or Third-Party Program Assets.

If an Advisory Agreement for Financial Planning Services is terminated more than five (5) business days after the Effective Date, any prepaid Advisory Fees shall be prorated and promptly refunded, based on the proportion of the Financial Planning Services that have been completed as of the date the Advisory Agreement terminates; to the extent the proportion of services completed exceeds the amount of the prepaid fees, the Client shall owe the balance. The "Effective Date" of an Advisory Agreement shall be determined pursuant to the terms of the Advisory Agreement; provided, if the Advisory Agreement does not define such term, then the Effective Date shall be the date on which a counterpart of the Advisory Agreement was executed on behalf of the last person to sign.

After an Advisory Agreement has been terminated: Client may be charged commissions, sales charges, and transaction, clearing, settlement, and custodial charges, at prevailing rates, by the Custodian and any executing or carrying broker-dealer; Client will be responsible for monitoring all transactions and assets; and WorthPointe shall not have any further obligation to monitor or make recommendations with respect to the account or assets.

For those Clients that invest via a third party manager, the fee is additional fee is determined by the third party manager. Fees for this service are disclosed in the disclosure brochure (Part 2 of Form ADV) provided to the Client by the third party manager.

The Advisory Fees payable to WorthPointe and to each Third-Party Manager managing a Managed Account will be billed by WorthPointe and by each Third-Party Manager directly to the Custodian of the Managed Account. WorthPointe's fee is separate and in addition to the Third-Party Manager's compensation.

Payment for management fees will be made by the qualified custodian holding the Client's funds and securities provided the Client provides written authorization permitting the fees to be paid directly from the Client's account. WorthPointe will not have access to Client funds for payment of fees without Client consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the Client showing all disbursements from the account. The Client is encouraged to review their account statements for accuracy. WorthPointe will receive a duplicate copy of the statement that was delivered to the Client. Alternatively, WorthPointe may invoice Clients directly for portfolio management fees. When Clients are billed directly, payment is due upon receipt of WorthPointe's invoice.

### **Financial Consulting Services**

WorthPointe offers financial consulting services (including investment- and non-investment-related matters) on a limited-scope basis. WorthPointe will generally charge an hourly fee, which ranges up to a maximum hourly rate of \$750 per hour, depending upon the complexity, level and scope of the service(s) required and the professional(s) rendering the service(s).

When the scope of the financial planning services has been agreed upon, a determination will be made as to applicable fee, and an estimate will be provided to the Client. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the Client's financial situation and the complexity of the financial plan or services requested. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, WorthPointe will notify the Client and may request that the Client pay an additional fee.

The fees and terms of the financial planning services will be set forth in the Client agreement executed between the Client and WorthPointe.

Clients may act on WorthPointe's recommendations by placing orders for securities transactions with any brokerage firm the Client chooses. The Client is under no obligation to act on WorthPointe's financial planning recommendations. Moreover, if the Client elects to act on any of the recommendations, the Client is under no obligation to implement the financial plan through WorthPointe.

### **General Information Regarding Advisory Services and Fees**

WorthPointe does not represent, warrant, or imply that the services or methods of analysis used by WorthPointe can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to market corrections.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (broker-dealer/custodian) to another. These account termination fees are believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, banks, or trust companies, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred.

Such charges, fees, and commissions are exclusive of and in addition to the firm's fee, and the firm does not receive any portion of these commissions, fees, and costs.

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

The vast majority of Clients pay WorthPointe's fees based upon a percentage of the assets advised upon. This is a very common form of compensation for registered investment supervisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (WorthPointe does not accept commission-based compensation of any nature, nor does WorthPointe accept 12b-1 fees).

Asset-advised-upon percentage method of compensation can still at times lead to conflicts of interest between our firm and our Client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.), and the amount of funds to place in non-managed cash reserve accounts. WorthPointe's goal is that the firm's advice to the Client remains at all times in the Client's best interest, disregarding any impact of the decision upon WorthPointe.

### **Termination**

The Client may terminate any new agreement without penalty by providing written notice of such cancellation to WorthPointe within five (5) business days of the date of signing the agreement. Thereafter, either party may terminate the agreement without penalty upon notice in writing to the other party. Upon termination of any



account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Upon the termination of the agreement, WorthPointe will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a Client's account.

Wealth management services will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. The agreement for financial consulting will be terminated in accordance with the Financial Planning and Consulting Agreement.

WorthPointe's relationship with each Client is nonexclusive; in other words, WorthPointe provides investment supervisory services and financial planning services to multiple Clients. WorthPointe seeks to avoid situations in which one Client's interest may conflict with the interest of another of its Clients. However, one circumstance which could arise is a sudden sharp downturn in the values of one or more stock asset classes, thereby triggering (under adopted investment policies with the vast majority of WorthPointe's Clients) the need to rebalance the investment portfolios following the close of any business (trading) day. In this instance, WorthPointe seeks to rebalance each Client's investment portfolio on a timely basis, keeping in mind that most mutual fund trades occur at the end of a trading day. In determining which Client portfolios to attend to first, WorthPointe ranks Clients by the amount of assets under advisement as of the last quarterly period from highest to lowest, and generally proceed to rebalance portfolios accordingly.

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

Item 6 is not applicable to WorthPointe. WorthPointe 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). Such acceptance or management would pose a significant conflict of interest to our Clients because performance-based fees may provide an incentive to favor such accounts over the accounts of Clients under our other advisory programs. WorthPointe considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our Clients.

## **Item 7 Types of Clients**

WorthPointe offers personalized investment supervisory services to individuals, high net worth individuals, corporations and pension and profit sharing plans. Client relationships vary in scope and length of service.

WorthPointe generally requires a minimum quarterly fee of \$1,250 for investment management services. At WorthPointe's annual Advisory Fee Rate of 1%, this implies a minimum account size (based on assets under management) of \$500,000. However, WorthPointe, in its sole discretion, may reduce its minimum quarterly fee and/or charge a lesser investment management fee for bundled and unbundled services based upon certain criteria (i.e., anticipated future earning capacity, or additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with Client, Client's willingness to use global or core fund strategies, etc.).

Sponsors or Managers may impose minimum account sizes which may be higher, depending on type of portfolio and the types of securities the Client requests.

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

### **Methods of Analysis**

WorthPointe's investment philosophy is grounded in Modern Portfolio Theory, which refers to the process of attempting to reduce risk in a portfolio through systematic diversification across asset classes and within those particular asset classes for both equities and bonds. We emphasize the analysis of mutual funds, exchange-traded funds, and fund managers in the selection of the investments that comprise the Portfolios, with additional

consideration of market and economic factors in the specific allocations and weightings within each Portfolio, as well as decisions affecting changes in Portfolio investments, allocations, and weightings. Sources of information WorthPointe may use includes financial newspapers and magazines, research materials prepared by others, and online research and analysis.

### ***Fundamental Analysis***

Fundamental analysis involves analyzing a company's income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. The fundamental analysis school of thought maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mispriced security and then waiting for the market to recognize its "mistake" and re-price the security. However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and company developments may result in significant price fluctuations that can lead to investor losses.

### ***Technical Analysis***

Technical analysis seeks to identify price patterns and trends in financial markets and attempt to exploit those patterns. Technical analysts follow and examine indicators such as price, volume, moving averages, and market sentiment.

### ***Third-Party Programs***

For Third-Party Managed Accounts, the Representative evaluates the Third-Party Program and Manager(s) in making the recommendation to the Client; however, each Manager is solely responsible for trading the account.

The Representative will rely on the research and performance information provided by the Sponsor in reaching the decision to recommend a Third-Party Program and Manager. For example, we require Sponsors to conduct and provide research with respect to the Manager(s) and the various types of separately managed account strategies, model portfolios, and mutual funds, unit investment trusts, real estate investment trusts, and ETFs they manage, and provide information regarding each Manager's investment discipline and approach. We have not independently verified the Sponsor's research.

Sponsors represent they follow screening and evaluation processes that focus on quantitative factors such as historical performance and volatility, as well as factors such as a manager's reputation and approach to investing. Each Sponsor must conduct periodic evaluations of the Managers available through their program.

Sponsor are responsible for verifying the information provided by the Managers by comparing it to other data from publicly available sources, as well as through proprietary technical, quantitative, and qualitative analyses, including attribution analysis and risk analysis.

We do not audit, verify, or guarantee the accuracy, completeness, or methods of calculating any historic or future performance or other information provided by a Sponsor or any Manager. There is no assurance that the performance or other information from a Sponsor or any Manager, or other source is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

### ***Economic (Cyclical) Analysis***

Economic analysis takes into consideration economic cycles in order to predict how various sectors of the market and a market index will perform. Stocks in consumer staples such as food and household products may be appropriate in one cycle while in a period of recovery consumer discretionary stocks may become more attractive. The expectation of rising or falling interest rates during economic cycles can also affect risk premiums. This type of analysis is useful over longer periods of time for portfolio planning and allocation, but does not generally provide a basis for day-to-day investment management.

## **Investment Strategies**

We reserve the right to employ a number of investment strategies in pursuit of Client investment objectives, including long-term purchases, short-term purchases (investments expected to be held for less than a year), trading (investments held less than 30 days), and use of derivatives. If we engage in strategies involving short-term purchases, or particularly, trading over periods of less than 30 days, account transaction costs will increase which will reduce performance.

In general, however, Clients should expect that our strategies will emphasize long-term investments intended to be held for a year or longer. Portfolio composition and allocation at any given time will vary based on our assessment of current market conditions and the relative risk and reward of particular investments.

### ***Risk of Errors in Investment Decisions***

There is no assurance that WorthPointe's investment strategies and decisions will be successful. There is a risk that our judgment about a particular market sector or security may prove to be incorrect, resulting in losses to the Client's Managed Account.

### ***Management of Account Until We Receive Written Notice***

Unless and until the Client notifies WorthPointe in writing to designate a different Portfolio for the Managed Account, or to notify WorthPointe of material changes in the Suitability Information, WorthPointe will continue to manage the Managed Account according to the Suitability Information in its records. Clients should inform WorthPointe promptly in writing of significant changes in Client's personal or family circumstances or financial situation, or in the investment goals or objectives, investment time horizon, tolerance for risk, or liquidity needs pertaining to the Managed Account so that appropriate changes can be made.

### ***Reliance on Sources of Information***

Our method of analyzing investment opportunities assumes that the information we receive about funds, managers, and companies, the characteristics and ratings of the securities they issue, and other publicly-available sources of information we utilize is accurate and unbiased. While we are alert to indications that data may be incorrect or skewed, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### ***Third-Party Programs***

For Third-Party Managed Accounts, each Third-Party Manager is solely responsible for the investment recommendations and decisions with respect to the Managed Assets for which such Manager has primary management responsibility.

WorthPointe will rely on the research and performance information provided by the Sponsor in reaching the decision to recommend a Third-Party Program and Manager. For example, we require Sponsors to conduct and provide research with respect to the Third-Party Manager(s) and the various types of separately managed account strategies, model portfolios, and securities they manage, and provide information regarding each Manager's investment discipline and approach. We have not independently verified the Sponsor's research.

Sponsors represent they follow screening and evaluation processes that focus on quantitative factors such as historical performance and volatility, as well as factors such as a manager's reputation and approach to investing. Each Sponsor must conduct periodic evaluations of the Managers available through their program.

Sponsor are responsible for verifying the information provided by the Managers by comparing it to other data from publicly available sources, as well as through proprietary technical, quantitative, and qualitative analyses, including attribution analysis and risk analysis.

We do not audit, verify, or guarantee the accuracy, completeness, or methods of calculating any historic or future performance or other information provided by a Sponsor or any Manager. There is no assurance that the performance or other information from a Sponsor or any Manager, or other source is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

## Risk of Loss Generally and Specific Risks

All investing involves a risk of loss that investors should be prepared to bear. The descriptions below provide an overview of some of the key risks related to WorthPointe's investment strategies; however, this is not intended to serve as an exhaustive or comprehensive description of all risks that may arise in connection with participation in WorthPointe's programs.

**Business Risk**-the risk that the price of an investment will change due to factors unique to that company, investment or market segment and not the market in general.

**Leverage Risk**-the risk to specific companies' future earnings due to their use of debt. Companies that borrow money must pay it back at some future date, plus the interest charges. This increases the uncertainty about the company because it must have enough income to pay back this amount at some time in the future.

**Market Risk**-the risk that the price of a particular investment will change as a result of overall market conditions that are not specific to that particular company or investment.

**Event-Based Risks**-these are risks of events the market has not anticipated, known as "Black Swans." A Black Swan event is an event that is unprecedented or unexpected at the point in time it occurs, and which can cause large market dislocations.

**Interest Rate Risk**-the risk that as interest rates go up, the value of fixed income securities held by an account (or by any mutual fund, money market fund owned by the account) will decline. Interest rate risk may be greater for securities with longer maturities.

**Credit Risk**-the risk that the issuer (or other obligor) of a security owned by the account (or by any mutual fund, money market fund, or variable product owned by the account) may fail to pay principal or interest, or otherwise default, or may be perceived to be less credit worthy, or the security's credit rating may be downgraded, or the credit quality or value of any underlying asset may decline. This risk is greater for high yield securities than for securities of higher credit quality. Depending on a Client's investment objective and the Managed Account's parameter for risk/volatility, any of the Portfolios, Extended Portfolios, or SMA Portfolios may have a portion of the Managed Account's portfolio allocated to high yield securities.

**Prepayment Risk**-the risk that during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the security holder (such as a mutual fund, money market fund, or variable product owned by the Client's Managed Account) to reinvest in lower yielding securities.

**Extension Risk**-the risk, during periods of rising interest rates, of the average life of certain types of securities being extended because of slower than expected principal payments, resulting in the "locking in" below-market interest rates, an increase of the security's duration (a calculation of a security's future payments designed to measure sensitivity to interest rate changes), an increase in the security's sensitivity to interest rate changes, and a reduction in the value of the security.

**Liquidity Risk**-the risk, from time to time, that as a result of economic, market, or issuer-specific reasons, one or more investments held by the Account may become difficult to sell at a favorable price, and in certain adverse markets or economic conditions, may become difficult to sell at any price. The causes of a loss of liquidity may not be related to any specific adverse changes in the business of a particular issuer.

**Market Volatility Risk**-the prices of securities may be volatile. Price movements of securities in which WorthPointe invests are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

## **Item 9 Disciplinary Information**

Item 9 requires disclosure of material facts regarding legal or disciplinary events that would be material to a Client's evaluation of WorthPointe's business or the integrity of WorthPointe's management.

WorthPointe has no events to disclose under this Item 9.

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

### **A. Representatives and Related Persons**

Neither WorthPointe nor its representatives are registered in any of the capacities described in Item 10.A, nor is there a related person of WorthPointe that is one of the entities described in Item 10.B. However, Mr. Van Slyke, who is the largest beneficial owner of WorthPointe, owns a less than 1% interest in National Advisors Trust Company, FSB ("NATC"), which is a federal savings bank that offers trust and related services.

From time to time, WorthPointe recommends NATC's services as qualified custodian on behalf of trusts established for advisory clients and their families. Mr. Van Slyke's ownership of less than 1% of NATC does not prevent NATC from serving as qualified custodian because NATC is operationally independent from WorthPointe, as defined in SEC Rule 206(4)-2(d)(5).

Clients should be aware that as a shareholder of NATC, Mr. Van Slyke will benefit from any dividends paid on earnings retained by NATC as a result of advisory clients using NATC's trust services. This creates a conflict of interest because Mr. Van Slyke's recommendation of NATC's trust services will result in Mr. Van Slyke receiving a financial benefit from the recommendation of NATC's services, instead from solely from the

client's interest in reasonable trust services. Clients have no obligation to accept a recommendation of NATC's trust services, and may select any qualified custodian of their own choosing, which may offer such services for higher or lower costs.

## **B. Recommendation or Selection of Other Advisers**

WorthPointe recommends or select two other advisers; however, neither WorthPointe nor the Third-Party Manager(s) compensate the other through the Program. Each firm is paid by the Client, and retains that compensation for its own.

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

### ***A. Code of Ethics***

WorthPointe has adopted a Code of Ethics expressing its commitment to ethical conduct. The Code of Ethics describes WorthPointe's fiduciary responsibilities to its Clients, and its procedures in supervising the personal securities transactions of its supervised persons who have access to information regarding Client recommendations or transactions ("access persons").

A copy of the Code of Ethics is available to Clients and prospective Clients. You may request the Code of Ethics by email at [allison.blake@wpwm.com](mailto:allison.blake@wpwm.com) or by calling WorthPointe at (800) 620-4232.

The Code of Ethics includes policies and procedures for the review of access persons' quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by access persons. Among other things, the Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. The Code also provides for oversight, enforcement, and record keeping provisions.

The Code of Ethics prohibits the misuse of material non-public information. While WorthPointe does not believe that it has any particular access to material non-public information regarding publicly traded companies that would be subject to misuse, all employees are reminded that any such information may not be used in a personal or professional capacity.

WorthPointe and its officers, and employees may act as investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with the Code of Ethics. In doing so, WorthPointe or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular Client.

Neither WorthPointe nor any Representative has any obligation to purchase or sell, or to recommend for purchase or sale, any security which WorthPointe or any principal, officer, or employee purchases or sells for his own account or for the accounts of other Clients, unless such conduct is a fiduciary obligation.

### ***B. Recommendations Involving Our Financial Interests***

WorthPointe is required to disclose in Item 11 if it recommends that Clients invest in securities in which WorthPointe or its employees have a material financial interest.

WorthPointe does not make such recommendations.



### ***C. Investments in Securities Recommended to Clients***

Individuals associated with WorthPointe may buy or sell securities for their personal accounts identical to or different from those recommended to Clients. It is the policy of WorthPointe that no person employed by it shall prefer his or her own interest to that of an advisory Client or make personal investment decisions based on the investment decisions of Clients. Subject to the Code of Ethics, WorthPointe and its employees are permitted to trade for their own accounts side-by-side and in block transactions with WorthPointe's Clients in the same securities, and at the same time. We have adopted the procedures described in Item 11.D to address the actual and conflicts of interest raised by our policies.

### ***D. Investments around Time of Client Transactions***

Subject to the procedures in this section 11.D, WorthPointe and its employees are permitted to trade for their own accounts side-by-side with Clients in the same securities at or around the same time as Clients on the same trading day, and are permitted to aggregate trades for their proprietary accounts with trades for Client accounts. WorthPointe and its employees may buy or sell securities for their personal accounts identical to the securities recommended to Clients. We have adopted the procedures described below to address the conflicts of interest arising from our policies described in Items 11.C and 11.D:

- WorthPointe prohibits employees from purchasing or selling securities (other than mutual funds or other securities that are not treated as "reportable securities") immediately prior to Client transactions, in order to prevent employees from benefiting from transactions placed on behalf of advisory accounts;
- no director, officer, or employee shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry;
- no director, officer, or employee shall knowingly prefer his or her own interest to that of an advisory Client;
- WorthPointe maintains records of securities held by it and its access persons. These holdings are reviewed on a regular basis by Representative;
- WorthPointe emphasizes the unrestricted right of the Client to decline to implement any advice it has rendered (except where it has entered an order pursuant to exercise of discretionary authority);
- WorthPointe requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices; and
- any individual not in observance of the above may be subject to discipline, including termination.

## **Item 12 Brokerage Practices**

### **Recommending Brokers and Custodians**

Client assets must be maintained in an account maintained with a qualified custodian reasonably acceptable to us. We recommend, but do not require, clients to use Charles Schwab & Co., Inc., through Schwab Adviser Services ("Schwab"), or TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TDA"). Schwab and TDA are collectively referred to as "Custodian."

Client will be required to enter into a written Custodial Agreement with each Custodian pursuant to which the Custodian agrees to maintain the Managed Assets in one or more Managed Accounts in Client's name. Pursuant to terms of Client's arrangements with the Custodian, Client will authorize WorthPointe to place orders with and give instructions to Custodian (and with each broker-dealer affiliated with Custodian, each a "Broker-Dealer") to buy, sell, exchange, and redeem securities on behalf of the Managed Account(s), on a fully discretionary basis,

without prior notice or consent of Client. Even though Client's account is maintained at a particular custodian, under certain circumstances WorthPointe may place orders for execution with other brokers, subject to its obligation to seek best execution under the circumstances then existing.

## **Best Execution**

### **How WorthPointe Selects Brokers/Custodians**

As a fiduciary, WorthPointe has an obligation to seek to obtain best execution of a client's transactions when we have discretion to select the broker, considering the circumstances of the particular transaction. We will seek a Custodian that is a broker (or affiliated with a broker) and will hold client assets and execute transactions on terms that are overall advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- our current model portfolios emphasize DFA mutual funds, primarily, and seldom include individual securities;
- because of the large percentage of our portfolios that are comprised of mutual funds, trade execution services and custodial services (generally without a separate fee for custody), typical execution services are less important, but ticket charges and other transaction costs must be watched;
- capabilities for transfers and payments to and from accounts (wire transfers, check requests, etc.);
- breadth of available mutual funds;
- quality of services;
- competitiveness of prices for its services (ticket charge rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- availability of other products and services that benefit WorthPointe and its clients, as discussed below.

We have evaluated the full range of brokerage services offered by TD Ameritrade and consider it to have favorable execution capabilities and financial stability compared to other brokers that offer institutional advisory platforms for the types of securities we use in our strategies. While we believe the commissions and fees charged by TD Ameritrade are competitive, transactions may not always be executed at the lowest available commission rate.

**Client Custody and Brokerage Costs.** Schwab and TD Ameritrade generally do not charge Clients separately for custody services, but are compensated by charging Client accounts commissions or other fees on trades that the Custodian executes or that settle into the account maintained with the Custodian. The Custodians charge the Client a flat dollar amount as a "prime broker" or "trade away" fee for each trade WorthPointe places through a different broker-dealer but where the securities bought or proceeds are deposited (settled) into the Client's account with the Custodian. These fees are in addition to the commissions or other compensation the Client pays the executing broker-dealer. Because of these additional costs, WorthPointe executes trades through the Custodian; it is unlikely trades will be placed through other brokers.

**Products and Services Available to Us from Custodians.** WorthPointe participates in the institutional advisor programs offered by Schwab and TD Ameritrade. Through these programs, Schwab and TD Ameritrade offer to independent investment advisors various services not generally available to retail investors, including custody of securities, trade execution, clearance and settlement, and access to mutual funds otherwise only available to institutional investors. Schwab and TD Ameritrade also make available various support services. Some of those services help WorthPointe manage or administer Client accounts while others help WorthPointe manage and grow its business. Custodian's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a minimum amount of client assets in accounts with the Custodian. For example, Schwab's support services are generally and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab.



**Services that Benefit Clients.** Custodians' brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the Custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment, and access to mutual funds with no transaction fees and to certain institutional money managers which may result in lower Client expenses. These services generally benefit Clients and their accounts.

**Services that May Not Directly Benefit Clients.** Some of the useful benefits and services made available by the Custodians through their institutional programs may benefit WorthPointe but may not benefit all or any Client accounts. When WorthPointe selects or recommends Schwab or TD Ameritrade, WorthPointe may take into consideration whether the Custodian provides WorthPointe with such benefits and services. Clients pay the Custodian trading fees to execute transactions. These products and services assist WorthPointe in managing and administering Client accounts. They include investment research-related products and tools, both the Custodian's own and that of third parties. WorthPointe may use this research to service all or some substantial number of Clients' accounts, including accounts not maintained at the particular Custodian. In addition to investment research, the Custodians also make available software and other technology that:

- provide access to Client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution, including access to a trading desk serving WorthPointe's Clients;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the aggregated trade orders to multiple client accounts);
- provide pricing and other market data;
- facilitate deduction of Advisory Fees directly from Clients' accounts;
- access to an electronic communications network for Client order entry and account information;
- assist with back-office functions, record keeping and Client reporting.

**Services that Generally Benefit Only WorthPointe.** Custodians also offer other services intended to help WorthPointe manage and further develop its business enterprise. These services include:

- educational conferences and events;
- technology, compliance, marketing, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Custodians may provide some of these services directly, or in other cases, will arrange for third-party vendors to provide the services to WorthPointe. They may also discount or waive fees for some of these services or pay all or a part of a third party's fees. A Custodian may also provide WorthPointe with other benefits such as occasional business entertainment of WorthPointe personnel.

Schwab also provides WorthPointe with the PortfolioCenter software application, which provides a suite of client reporting and related tools and functionalities which are important to WorthPointe's business. Schwab provides a discount of 33% off the regular cost charged for the PortfolioCenter application, based on the value of assets in Client accounts maintained with Schwab.

**Additional Services Agreement with TD Ameritrade.** WorthPointe and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") pursuant to which WorthPointe receives from TD Ameritrade certain additional economic benefits ("Additional Services") that are only offered to certain independent investment advisers participating in TD Ameritrade's institutional adviser platform who meet significant minimum levels of assets in accounts. TD Ameritrade provides the Additional Services to our firm in its sole discretion and at its own expense, and does not pay TD Ameritrade for the Additional Services.

In deciding to provide Additional Services to WorthPointe, TD Ameritrade likely considers the amount and profitability of the assets in, and trades placed for, WorthPointe's Client accounts. TD Ameritrade has the right to terminate the Additional Services Addendum, in its sole discretion, under certain conditions. The Additional Services Addendum creates a conflict of interest because of the economic incentive WorthPointe has to recommend Clients maintain their accounts with TD Ameritrade based on WorthPointe's interest in continuing to receive the Additional Services rather than based on the Client's interest in receiving the best value in custody services and the most favorable execution of Client's transactions. Although WorthPointe continues to have a fiduciary obligation to act in the best interests of its clients, the economic incentive to continue receiving Additional Services may impair its judgment or ability to act without self-interest.

**Brokerage Services Do Not Benefit Specific Accounts.** WorthPointe does not attempt to put a dollar value on the useful benefits and services each account receives from the Custodians, nor does it attempt to allocate or use the economic benefits and services received from a Custodian for the benefit of the accounts maintained with that Custodian, or attempt to use any particular Item to service all accounts. Some of the products and services made available by Custodians may benefit WorthPointe but may not benefit all or any of WorthPointe's Client accounts. The benefits and services WorthPointe receives from a Custodian are used to help WorthPointe to fulfill its overall Client obligations.

**WorthPointe Interest in the Custodians' Services.** The availability of these services from the Custodians benefits WorthPointe because it does not have to produce or purchase them. WorthPointe doesn't have to pay for Schwab's services so long as it keeps a total of at least \$10 million of client assets in accounts at Schwab. These services are not contingent upon us committing any specific amount of business to the Custodians in trading commissions or assets in custody. However, if we did not recommend the Custodians' services, it is unlikely that we would continue to receive their services. Our interest in continuing to receive the Custodians' services gives us an incentive to recommend clients maintain accounts with the Custodians, based on our interest in receiving the Custodians services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of our transactions. This is a conflict of interest. We believe, however, that our selection of the Custodians as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of the Custodians' services (see above, "How WorthPointe Selects Brokers/Custodians") and not the Custodians' services that benefit only us.

**Client Commission Arrangements.** We generally do not engage in formal client commission arrangements where we commit to direct portfolio brokerage commissions to a broker-dealer in return for specified brokerage or research services that we may use in making investment decisions for our clients. However, we do receive the useful benefits and services described above received from the Custodian.

Section 28(e) of the Securities Exchange Act of 1934 provides that an investment advisor does not breach its fiduciary duties under state or federal law solely by causing its clients' accounts to pay brokerage commissions in excess of the amount another broker-dealer would have charged if the advisor determines in good faith that the commissions are reasonable in relation to the value of brokerage and research services received. It is our policy to operate within the safe harbor of Section 28(e).

We offer no assurance that the commissions or investment expenses clients will incur by using either Schwab or TD Ameritrade as their Custodian and broker will be as low as the commissions or investment expenses charged by other firms for similar services. It is likely that lower costs may be available for similar services from other advisors, brokers or custodians, and by paying lower costs, clients could improve their long-term performance.

**Soft Dollars.** WorthPointe generally does not engage in formal soft dollar arrangements where WorthPointe commits to direct portfolio brokerage commissions to a broker-dealer in return for specified brokerage or research services that WorthPointe may use in making investment decisions for its Clients. WorthPointe, however, receives the useful benefits and services described above received from the Custodians.

Section 28(e) of the Securities Exchange Act of 1934 provides that an advisor does not breach fiduciary duties under state or federal law solely by causing its Clients' accounts to pay brokerage commissions in excess of the amount another broker-dealer would have charged if the advisor determines in good faith that the commissions are reasonable in relation to the value of brokerage and research services received. It is WorthPointe's policy to operate within the safe harbor of Section 28(e).

Beyond that, these services are not contingent upon WorthPointe committing any specific amount of business to a Custodian in trading commissions or assets in custody. The \$10 million minimum may give WorthPointe an incentive to recommend that Clients maintain their accounts with Schwab based on WorthPointe's interest in receiving Schwab's services that benefit WorthPointe's business rather than based on Client's interest in receiving the best value in custody services and the most favorable execution of Client's transactions. This is a conflict of interest. WorthPointe believes, however, that its selection of Schwab and TD Ameritrade as custodian and broker is in the best interests of WorthPointe's clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above - see "How We Select Brokers/Custodians [to Recommend]") and not Custodians' services that benefit only WorthPointe. WorthPointe has in excess of \$400 million of assets under management, and do not believe that maintaining at least \$10 million of those assets with Schwab to avoid paying a quarterly service fee presents a material conflict of interest.

The availability of these useful services creates a financial incentive for WorthPointe to recommend the Custodians for Clients accounts so WorthPointe can continue to receive these services and avoid paying for them separately at WorthPointe's own expense. Our interests conflict with our Clients' interests in obtaining the lowest possible execution costs.

Although we strive to address this conflict in a manner consistent with our fiduciary duty, our judgment may be affected such that our efforts may not be entirely successful. To help mitigate this conflict, we have adopted procedures to analyze periodically the services and programs provided by or available through our brokers, to evaluate the usefulness of these services in relation to the costs of the services, and to assess the overall quality of the services.

**Lower Costs Available for Similar Services.** We offer no assurance that the commissions or investment expenses Clients will incur by using Schwab or TD Ameritrade as their custodian and broker will be as low as the commissions or investment expenses charged by other firms for similar services. It is likely that lower costs may be available for similar services from other advisers, brokers or custodians, and by paying lower costs, Clients could significantly improve their long-term performance.

**Directed Brokerage Arrangements.** WorthPointe may, in its sole discretion, agree to accept Client direction to use a broker-dealer other than Schwab or TD Ameritrade to purchase the recommended investments. In such cases, WorthPointe will direct the Client's transactions through the designated broker-dealer. The Client's custodian may charge additional fees to execute and settle these transactions at another broker or custodian.

When a Client directs the use of a particular broker-dealer, orders for these accounts will not be placed until after orders are placed for accounts that have not directed the use of a particular broker. Also, WorthPointe will not have discretion to place trade orders with other brokers. Consequently, as a result of directing brokerage, the client will not receive the benefit of reduced transaction costs or better prices that may result if WorthPointe had discretion to negotiate the terms of the orders, such as commissions, volume discounts, or seek price improvement from other broker-dealers. The Client may incur higher transaction costs, delays in execution, and less favorable prices than the transactions effected for accounts that do not direct brokerage.

This practice may cost the Client more money than if WorthPointe had discretion to select the broker-dealer. A disparity may arise such that Clients who direct brokerage may pay higher overall transaction costs and receive less favorable prices than Clients who do not direct brokerage.

**Order Aggregation.** WorthPointe may aggregate orders for the purchase or sale of securities on behalf of the accounts it manages. Proprietary accounts of our firm or its supervised persons (employees) may participate in block orders on the same basis as Clients. The ability to have orders aggregated into a "block order" with other Clients can offer economic benefits, including the potential for volume discounts on their orders, timelier execution, a reduction of adverse market effects that can occur from separate, competing orders, and mutual sharing of transaction costs. For accounts that purchase individual securities, such as stocks or bonds, the broker may be able to negotiate price improvements for block orders.

Block orders are typically placed through an "average price account" or similar account such that transactions for accounts participating in the order are averaged as to price (which will be NAV for all mutual fund securities), and the securities purchased or net proceeds received are allocated pro rata among the accounts in proportion to their respective orders placed that trading day. For mutual fund orders, if no economic benefit is received from the use of block orders, they will not be used.

Typically, partial fills will be allocated among accounts in proportion to the total orders participating in the block, unless we determine that another method of allocation is equitable (such as an alphabetical rotation, rotation based on the Clients of a particular Representative, or other method). Exceptions may be granted or allowed due to varying cash availability, divergent investment objectives, existing concentrations, tax considerations, performance relative to a benchmark, performance relative to other accounts in the same strategy or portfolio, or a desire to avoid "odd lots" (an amount of a security that is less than the normal unit of trading for that security).

**Trade Errors.** It is our firm's policy for Clients to be made whole following a trade error. However, in general, the Custodian maintaining the account (or providing brokerage service) with respect to which the error occurred will generally apply its policies and procedures for resolving trade errors. In general, the Custodian will reverse transactions when an error occurred, and any unexpected gains will be handled according to the Custodian's procedures. Gains not remaining in the Client's account will typically be donated to charity. Losses greater than \$100 will be paid by our firm, as the Client's advisor. It is unlikely that a Client will be able to retain any gains of \$100 or more resulting from a trade error because the Custodian will reverse the transaction and donate the proceeds to charity. Generally, if related trade errors result in both gains and losses in the Client's accounts, the amounts may be netted; subject, in all cases to the Custodian's policies.

**Advisor Panel.** Allison Blake, CCO and COO of WorthPointe, serves on the TD Ameritrade Institutional Advisor ("Panel"). The Panel consists of representatives from a number of independent investment advisors that inform and provide feedback to TD Ameritrade Institutional ("TDAI") on issues relevant to the independent advisor community. Ms. Blake has been appointed to serve on the Panel for a three-year term by TDAI. TD Ameritrade, Inc. ("TD Ameritrade") does not compensate Ms. Blake or WorthPointe for serving on the Panel but TDAI pays or reimburses WorthPointe for the travel, lodging and meal expenses Ms. Blake incurs in attending in person Panel meetings. The potential benefits received by WorthPointe or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TDAI.

## **Item 13 Review of Accounts**

For WM Program Clients, account reviews will be conducted quarterly by WorthPointe's Principals and/or Associated Persons. Clients are advised that it remains their responsibility to advise WorthPointe in writing of any changes in the Client's investment objectives and/or financial situation, or if they wish to impose any reasonable restrictions on WorthPointe's discretionary management services. All Clients are encouraged to review investment objectives and account performance with WorthPointe (in person or electronically) on an annual basis.

WorthPointe may conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event such as a market correction, large deposits or withdrawals from an account, substantial changes in the value of a Client's portfolio, change in the Client's investment objectives and Client request.

**Reports to Clients.** The Custodian provides trade confirmations and account statements to Clients on at least a quarterly basis. For the Clients participating in the WM Program, WorthPointe will report on the Account at the time the Client meets with the Representative for the regular Account review, and will provide a written report upon Client request.

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

As discussed in Item 12, WorthPointe participates in institutional advisor programs offered by the Custodians. WorthPointe recommends the Custodians to clients for custody and brokerage services. There is no direct link between WorthPointe's participation in such programs and the investment advice it gives to its clients, although WorthPointe receives economic benefits through its participation in these programs not typically available to retail investors. Please refer to Item 12 for a complete description of all of the useful benefits and services that the Custodians provide to WorthPointe in connection with their institutional advisor programs.

As disclosed under Item 12 above, WorthPointe participates in TD Ameritrade's Institutional advisor program and WorthPointe may recommend TDA to Clients for custody and brokerage services. There is no direct link between WorthPointe's participation in the Institutional advisor program and the investment advice it gives to its Clients, although WorthPointe receives economic benefits through its participation in the Institutional advisor program that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving WorthPointe participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to WorthPointe by third party vendors. TDA may also have paid for business consulting and professional services received by WorthPointe's related persons.

Some of the products and services made available by TDA through the Institutional advisor program may benefit WorthPointe but may not benefit its Client accounts. These products or services may assist WorthPointe in managing and administering Client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help WorthPointe manage and further develop its business enterprise. The benefits received by WorthPointe or its personnel through participation in the Institutional advisor program do not depend on the amount of brokerage transactions directed to TDA. As part of its fiduciary duties to Clients, WorthPointe endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by WorthPointe or its related persons in and of itself creates a potential conflict of interest and may indirectly influence WorthPointe's choice of Schwab and TDA for custody and brokerage services.

WorthPointe may receive Client referrals from TDA through its participation in TD Ameritrade's AdvisorDirect Program (referred to as "AdvisorDirect" and TDA is referred to as the "Custodian" throughout the balance of this Item.) In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, WorthPointe may have been selected to participate based on the amount and profitability to the Custodian of the assets in, and trades placed for, Client accounts maintained with the Custodians. TDA is a discount broker-dealers independent of and unaffiliated with WorthPointe and there is no employee or agency relationship between them. TDA has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors.



TDA does not supervise WorthPointe and have no responsibility for WorthPointe's management of Client portfolios or WorthPointe's other advice or services. WorthPointe pays TDA an on-going fee for each successful Client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the Client pays to WorthPointe ("Solicitation Fee").

WorthPointe will also pay TDA the Solicitation Fee on any advisory fees received by WorthPointe from any of a referred Client's family members, including a spouse, child or any other immediate family member who resides with the referred Client and hired WorthPointe on the recommendation of such referred Client. WorthPointe will not charge Clients referred through this Program any fees or costs higher than its standard fee schedule offered to its Clients or otherwise pass Solicitation Fees paid to TDA to its Clients. For information regarding additional or other fees paid directly or indirectly to TDA, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgment Form.

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

WorthPointe may receive succession planning, practice valuation, and equity management services from third-party vendors through WorthPointe's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, WorthPointe may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for Client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with WorthPointe and there is no employee or agency relationship between TD Ameritrade and WorthPointe. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated Advisors to grow and maintain the respective investment advisory business. TD Ameritrade does not supervise WorthPointe and has no responsibility for WorthPointe's management of Client portfolios or WorthPointe's other advice or services to Clients.

WorthPointe's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. WorthPointe may encourage their Clients to custody their assets at TD Ameritrade whose Client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, WorthPointe may have an incentive to recommend to Clients that the assets under management by WorthPointe be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. WorthPointe's participation in the TD Ameritrade Institutional Equity Management Program does not relieve the WorthPointe of the duty to seek best execution of trades for Client accounts.

As reference in Item 12 above, WorthPointe may receive an indirect economic benefit from TDA, without cost (and/or at a discount) may receive support services and/or products from TDA.

WorthPointe periodically receives Client referrals from websites where they may be listed. In no case will the Client pay any additional fees to WorthPointe for services if the referral comes from any of these listings.

WorthPointe may also employ/engage solicitors to who it will pay cash or a portion of the fees paid by the Client referred to the firm by those solicitors. All solicitors who refer Clients will comply with the requirements of the jurisdiction where they operate. When applicable, the solicitor will be licensed as investment advisors or notice filed in the applicable jurisdiction.

#### ***A. Economic Benefits***

As discussed in Item 12, WorthPointe participates in institutional advisor programs offered by the Custodians. WorthPointe recommends the Custodians to clients for custody and brokerage services. There is no direct link between WorthPointe's participation in such programs and the investment advice it gives to its clients, although WorthPointe receives economic benefits through its participation in these programs not typically available to retail investors. Please refer to Item 12 for a complete description of all of the useful benefits and services that the Custodians provide to WorthPointe in connection with their institutional advisor programs.

Additionally, please refer to the discussion in Item 12 for a discussion of the conflict of interest arising from the Additional Services Agreement between WorthPointe and TD Ameritrade pursuant to which WorthPointe receives from TD Ameritrade certain additional economic benefits ("Additional Services"). TD Ameritrade provides the Additional Services in its sole discretion and at its own expense, and WorthPointe does not pay for the Additional Services. WorthPointe has an economic interest in continuing to receive the Additional Services without paying for them from its separate funds, which conflicts with the Client's interest in receiving the best value in custody services and the most favorable execution of Client's transactions. Although WorthPointe continues to have a fiduciary obligation to act in the best interests of its clients, the economic incentive to continue receiving Additional Services may impair its judgment or ability to act without self-interest.

WorthPointe addresses the conflicts of interest described in this Item by disclosing them in this Brochure. WorthPointe also monitors its accounts and evaluates the quality and costs of the services provided by the Custodians to determine whether WorthPointe's recommendations of the Custodians continues to meet WorthPointe's fiduciary obligations. Although WorthPointe continues to believe that its recommendations and selections are appropriate for its clients, its judgment may be materially affected by its dependence on the services the Custodians provide.

#### ***B. Referral Arrangements with Third Parties***

WorthPointe pays referral fees to independent persons or firms ("Solicitors") for introducing clients to it. WorthPointe requires the Solicitor to provide prospective clients with a copy of this Brochure or WorthPointe's General Brochure, and a separate disclosure statement that includes the information required by SEC Rule 206(4)-3. Unless otherwise disclosed to the prospective client, the advisory fees paid to WorthPointe by clients referred by solicitors are not increased as a result of the referral. It is WorthPointe's policy not to accept or allow our supervised persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services WorthPointe provides to clients.

### **Item 15 Custody**

It is WorthPointe's policy to not accept custody of a Client's securities. In other words, WorthPointe is not granted access to the Clients' accounts which would enable WorthPointe to withdraw or transfer or otherwise move funds or cash from any Client account to WorthPointe's accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of the Clients' assets.

However, with a Client's consent, WorthPointe is provided with the authority to seek deduction of WorthPointe's fees from a Client's accounts; this process generally is more efficient for both the Client and the investment adviser. The account custodian does not verify the accuracy of WorthPointe's advisory fee calculation.

All WorthPointe's Clients receive account statements directly from qualified custodians, such as a bank or broker dealer that maintains those assets. The Client should carefully review these account statements, and compare them to any reports provided by WorthPointe. Reports provided by WorthPointe may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. WorthPointe urges all Clients to compare reports from WorthPointe and statements from the Custodian in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact Allison Blake, Chief Compliance Officer with any questions.

### **Asset Transfer and/or Standing Letter of Authorization**

WorthPointe, or persons associated with the firm, may effect asset transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

WorthPointe is not required to obtain a surprise annual audit, as would otherwise be required, as long as the firm meets the following criteria:

1. Client provides a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. Client authorizes WorthPointe in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Client's qualified custodian verifies client's authorization (e.g., signature review) and provides a transfer of funds notice to client promptly after each transfer;
4. Client can terminate or change the instruction;
5. WorthPointe has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. WorthPointe maintains records showing that the third party is not a related party to the firm nor located at the same address as us; and
7. Client's qualified custodian sends client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

WorthPointe confirms the firm meets the above criteria.

### **Item 16 Investment Discretion**

WorthPointe typically receives discretionary authority from the Client at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to WorthPointe assuming discretionary authority over a Client's account, the Client shall be required to execute an Investment Advisory Agreement, granting WorthPointe full authority to buy, sell, or otherwise effect investment transactions. In addition, any investment discretion is obtained in writing through a limited power of attorney signed by the Client prior. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

Discretionary authority allows WorthPointe to perform trades in the Client's account without further approval from the Client. This includes decisions on the following:

- Securities purchased or sold



- The amount of securities to be purchased or sold

Once the portfolio is constructed, WorthPointe provides ongoing supervision and re-balancing of the portfolio as changes in market conditions and Client circumstances may require.

WorthPointe seeks to undertake a minimal amount of trading in Client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage WorthPointe on a discretionary basis may, at any time, impose restrictions, in writing, on WorthPointe'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 WorthPointe's use of margin, etc.).

## **Item 17 Voting Client Securities**

WorthPointe requires all Clients to retain responsibility for voting securities. WorthPointe will not vote proxies, exercise rights, make elections, or take other such actions with respect to securities held for Client accounts. If desired, a Client may instruct WorthPointe in writing to forward to the Client or to a third-party any materials WorthPointe receives pertaining to proxy solicitations or similar matters. Upon receipt of the Client's written instructions, WorthPointe will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, WorthPointe will discard proxy and related materials.

Clients may obtain proxy materials by written request to the account's custodian. For information about obtaining proxy materials from a custodian, contact WorthPointe by email at [allison.blake@wpwm.com](mailto:allison.blake@wpwm.com), or by mail to the address on the front of this Brochure. However, WorthPointe does not provide advice about the issues raised by proxy solicitations or other requests for corporate actions.

Similarly, WorthPointe does not advise or exercise rights, make elections, or take other actions with respect to legal proceedings involving companies whose securities are or were held for a Client's account, such as asserting claims or voting in bankruptcy or reorganization proceedings, or filing "proofs of claim" in class action litigation.

If desired, a Client may instruct WorthPointe in writing to forward to the Client or a third party any materials WorthPointe receives pertaining to such matters. Upon WorthPointe's receipt of such written instructions, WorthPointe will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, WorthPointe will discard such materials. Written instructions should be sent by email to [allison.blake@wpwm.com](mailto:allison.blake@wpwm.com), or by mail to the address shown on the cover page of this Brochure.

## **Item 18 Financial Information**

### ***Prepayment of Fees Six Months or More in Advance***

Advisers who solicit or accept fees of more than \$1,200 per Client, six months or more in advance are required to provide their Clients an audited balance sheet.

Because we do not accept pre-paid fees exceeding \$1,200 per Client, six months or more in advance, we have not provided a balance sheet.

***Disclosure of Certain Financial Conditions***

Advisers who have custody or discretion over Client funds or securities, or who require prepayment of fees exceeding \$1,200 six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to Clients.

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our Client.

***Bankruptcy within Past Ten Years***

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

We have never been the subject of a bankruptcy petition.