

Firm Brochure  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of WheelerFrost Associates, Inc. If you have any questions about the contents of this brochure, please contact us at: (619) 491-0225, or by email at: [mary@wheelerfrost.com](mailto:mary@wheelerfrost.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about the Adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

3.21.2012

## ITEM2-MATERIAL CHANGES

### ANNUAL UPDATE

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### MATERIAL CHANGES SINCE THE LAST UPDATE

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

### FULL BROCHURE AVAILABLE

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (619) 491-0225 or by email at: [mary@wheelerfrost.com](mailto:mary@wheelerfrost.com).

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## ITEM 4-ADVISORY BUSINESS

### FIRM DESCRIPTION

WheelerFrost Associates, Inc. hereinafter ("the Adviser or WFA") was founded in 1982 and is an SEC registered investment adviser.

The Adviser provides personalized confidential wealth planning and investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses.

The Adviser is a fee-only wealth advisory and investment management firm. The firm does not sell securities on a commission basis.

The Adviser does not act as a custodian of client assets. The client always maintains asset control.

### OTHER PROFESSIONALS

Lawyers, accountants, insurance agents, etc. may be engaged directly by the client on an as-needed basis. Any conflicts of interest arising out of the Adviser's or its associated persons are disclosed in this brochure.

### PRINCIPAL OWNERS

Peter and Mary Wheeler are 72% shareholders. Kenneth Frost is an 18% shareholder. David White is a 10% shareholder.

### TYPES OF ADVISORY SERVICES

The Adviser provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations. On more than an occasional basis, the Adviser furnishes advice to clients on matters not involving securities.

WheelerFrost Associates, Inc. is a Registered Investment Adviser with the Securities and Exchange Commission. WFA provides advisory services to individuals, employee benefit plans, trusts, corporations, or other businesses (collectively; Client). Advisory fees vary according to the type of investment services provided and higher or lower fees than those shown on the schedules below may be charged to particular Clients. Any fee arrangements will be consistent with the requirements of applicable laws and regulations, including the Investment Advisors Act of 1940, as amended (the "Advisors Act"), Advisors Act Rule 205-3, and if applicable, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). WFA will require each Client to make a selection of services in writing as part of the Client Agreement(s) (CA) which sets forth the rights and obligations of WFA and the Client. Fees charged for investment management services are payable quarterly, in arrears,

utilizing the then-current fee structure, based upon the market value of assets on the last business day of the preceding quarter. On occasion fees for investment management services are based upon a flat fee agreed to in advance and not upon the value of the assets under management. A copy of WFA's written disclosure statement as set forth on Part II of Form ADV shall be provided to each Client at least forty-eight (48) hours prior to the execution of any CA. Any Client who has not received a copy of WFA's written disclosure statement, Form ADV Part 2A & 2B, at least forty-eight (48) hours prior to executing any CA shall have five (5) business days subsequent to executing the agreement to terminate WFA's services without penalty. The CA will continue in effect until terminated by either party upon thirty (30) days signed and written notice to the other party. Upon the termination of the CA, WFA will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the Account. Further, WFA will be responsible only for trades in progress at the time of receipt of the termination notice, and to notify any brokerage, trust, mutual fund, or other service provider that WFA no longer serves as the Client's representative for the Account. Should the Client desire WFA's services past termination for transfers, account history, etc., the Client must agree in advance to WFA's standard hourly rates for such services. If advisory relationship terminates during a quarter, fees are due in full for that quarter and are not prorated. The Client will receive a bill for any fees attributable to any period before the termination.

WFA generally provides investment supervisory services on a discretionary basis. Under limited circumstances, WFA may provide investment supervisory services on a nondiscretionary basis. In order to determine a suitable course of action for an individual Client, WFA may perform a review of the variables that are presented. Such review may include, but may not be limited to investment objectives, consideration of the Client's overall financial condition, income and tax status, personal and business assets, risk profile and other factors unique to the Client's particular circumstances.

WFA's investment supervisory services may include the following:

- Design, revision and reallocation of Client's portfolio. Investments may be determined by Client's investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situations and other suitability factors.
- Management of Client's accounts on an individualized basis. Restrictions and guidelines imposed by Client may affect the composition and performance of portfolios (as a result, performance of portfolios with the same investment objective may differ and Clients should not expect that the performance of their portfolios will be identical to any other individual's portfolio performance).
- Utilization of established third party research services to assist WFA with formulating asset allocation, industry and sector selection, and individual security investment recommendations in constructing and maintaining Client portfolios.

WFA may provide investment advisory services that do not involve investment supervisory services.

In determining a suitable course of action for a Client, WFA may perform a review of the variables that are presented. Such review may include, but is not necessarily limited to, investment objectives, consideration of the Client's overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the Client's particular circumstances.

WFA may provide investment advice through consultations not included in either service described above on a non-discretionary-only basis for Participant Directed Qualified Retirement Plans (401(k)s). WFA does not manage individual participant accounts in these 401(k)s, nor does it provide specific investment advice to individual participants in these plans.

In order to determine a suitable course of action for a 401(k) Client, WFA may perform a review of the variables that are presented. Such review may include, but would not necessarily be limited to, the needs and objectives of the employer, the costs involved and other factors unique to the Client's particular circumstances.

Client agrees to pay WFA for 401(k) consultation services detailed in the CA, an annual fee in accordance with the following:

Generally, for the design, implementation, investment management, reporting and participant education, 1.00% of the Plan assets, billed in arrears in quarterly increments of 0.25%, or \$2000, annually whichever is greater (with an initial fee of \$1,000 which is non-refundable).

WFA may accept an annual fixed fee, in lieu of some or our entire annual asset based fee. The consulting fee may be billed either annually, semi-annually or quarterly, as determined in writing between WFA and the Plan Sponsor or Trustee. WFA may, on occasion, provide advice to clients on matters not involving securities, and may include but is not limited to Business Planning, Business Succession Planning, Estate Planning, Financial Planning, Insurance Planning, and Wealth Management.

Investments may include: equities (stocks), warrants, corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, and interests in partnerships.

WFA may offer advice on private equity and/or futures funds that contain investments in other private equity funds, also known as a "fund of funds," and/or "hedge-funds." WFA may also offer advice on private equity and/or funds that contain investments in equities, futures, options, and other securities, such as commodity futures. The prospectus or offering memorandum will reflect the investment objectives of the funds and the typical investments purchased by the management of those private equity and/or futures funds.

Initial public offerings (IPOs) are not available through the Adviser.

As of December 31<sup>st</sup> 2011, the Adviser manages approximately \$ 188,300,000 in assets. Approximately \$178,200,000 is managed on a discretionary basis. As of December 31<sup>st</sup> 2011, the Adviser has approximately \$10,100,000 non-discretionary Clients.

## WEALTH PLANNING AGREEMENT

The Adviser will assist Client in the comprehensive management of affairs surrounding Client's wealth, including:

- Review, maintenance, and retention of documents including wills, trusts contracts, corporate documents, family records, etc.
- Recommendations pertaining to estate planning, retirement planning, generation planning issues, corporate issues, tax issues, asset protection, offshore asset planning, real estate, etc.
- Meetings, phone calls, and other coordination efforts with Client's other advisors including attorney, accountant, pension administrator, trustee, banker, insurance agent, etc.
- Other such services as may be agreed to in writing by Adviser and Client and attached to this CA.

The Adviser is not an attorney, accountant, or expert in many of the areas covered by this CA, and does not provide such services. The role of Adviser is to act as a catalyst and as Client's agent in dealing with the matters under the CA.

There is an inherent conflict of interest for the Advisor whenever a wealth plan recommends use of professional investment management services or the purchase of insurance products or other financial products or services. The Advisor or its associated persons may receive compensation for wealth planning and the provision of investment management services. The Advisor does not make any representation that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, the client is under no obligation to accept any of the recommendations of the Advisor or use the services of the Advisor in particular.

## INVESTMENT MANAGEMENT AGREEMENT

Adviser will direct, in Adviser's sole discretion and without first consulting Client, the investment and reinvestment of the assets in Client's account (the "Account") in securities and cash or cash equivalents.

The investment management services provided as outlined in the CA are as follows:

- *Evaluation.* Determine Client's investment objectives, time horizons, investment bias, risk tolerance, and other factors that may impact the portfolio design.
- *Portfolio Review.* Review Client's existing portfolio for continuity with Client's objectives and risk tolerance.

- *Asset Allocation.* Determine the most efficient allocation of capital to appropriate asset classes for Client's portfolio.
- *Asset/Asset Manager Selection.* Select the assets and/or asset managers.
- *Portfolio Monitoring.* Regularly monitor Client's portfolio to ensure that economic conditions, market performance, and the asset mix remain consistent with Client's objectives and risk tolerance.
- *Periodic Reporting.* Provide a comprehensive quarterly inventory of Client's investments under Adviser's management.
- *Regular Meetings.* Provide regular meetings with Client to review the Account.

Client's financial circumstances and investment objectives and any special instructions or limits that Client wishes Adviser to follow in managing the Account are described in Client's Investment Policy Statement, incorporated herein by reference. Client agrees to notify Adviser promptly of any significant change in the information provided by Client or any other significant change in Client's financial circumstances or investment objectives that might affect the manner in which Client's Account should be managed. Client also agrees to provide Adviser with such additional information as Adviser may consistent with obtaining best execution, transactions for Client's Account may be directed to brokers in return for research services furnished by them to Adviser. Such research generally will be used to service all of Adviser's clients, but brokerage commissions paid by Client may be used to pay for research that is not used in managing Client's Account. Adviser may, in its discretion, cause the Account to pay brokers commission greater than another qualified broker might charge to effect the same transaction where Adviser determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

## PORTFOLIO ADMINISTRATION SERVICES AGREEMENT

The Adviser will provide Client with portfolio administration services including:

- *Quarterly Reporting* with an inventory of Client's investments under Client's management.
- *Trade Execution.* Adviser will execute trades at Client's direction.
- *Trade Settlement Review.* Adviser will review all trades that have been executed to ensure that they have been completed as Client has directed, subject to the receipt of trade details from Client.
- *Yearend Gains and Losses Reporting.* Adviser will provide report of realized gains and losses for tax purposes.

Portfolio Administration Services do not include Wealth Advisory Services, Investment Management Services, or Consulting Services. Adviser assumes no fiduciary responsibility for Portfolio Administration Accounts. It is Client's responsibility to notify Adviser of all Buy/Sell orders to be executed by Adviser.

Buy/Sell orders to be executed by Adviser cannot be given through electronic or voicemail communications. Client has authorized Adviser to enter into such agreements and make such representations as necessary or proper in connection with the performance of its duties.

#### EXCHANGE TRADED FUNDS PORTFOLIO SERVICES AGREEMENT

The Adviser provides a selection of discretionally managed investment portfolios using Exchange Traded Funds (ETF) exclusively. The Adviser provides the following services for all ETF Portfolios:

- *Asset Allocation.* Determine the most efficient allocation of capital to appropriate asset classes for each ETF Portfolio.
- *Fund Selection.* Select appropriate ETFs from the available universe for each ETF Portfolio.
- *Portfolio Monitoring.* Regularly monitor all ETF Portfolios to ensure that economic conditions, market performance, and the asset mix remain consistent with ETF Portfolio objectives.
- *Periodic Reporting.* Provide a quarterly performance report via a secure web service.

The ETF Portfolio account is not an individually managed account. It is intended for clients with smaller investment portfolios. Clients with investment portfolios greater than \$500,000, should discuss the advantages of individually managed investment accounts with Adviser

#### HOURLY PLANNING ENGAGEMENTS

The Adviser provides hourly planning services for clients who need advice on a limited scope of work.

#### TERMINATION OF CA AGREEMENT

The CA Agreement will continue in effect until terminated by either party by thirty (30) days written notice to the other. Clients shall be charged pro rata for services provided through to the date of termination. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

In addition, the Adviser reserves the right to terminate any agreement/engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Adviser's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded.

#### ITEM 5-FEES AND COMPENSATION

##### INVESTMENT MANAGEMENT

The Adviser bases its fees on a percentage of assets under management, hourly charges, and fixed fees (not including subscription fees). Although the Client Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

**Annualized Investment Management Fees CONSERVATIVE ACCOUNTS**

<b>Annualized Investment Management Fees</b>		
<b>Account Value From</b>	<b>Account Value To</b>	<b>Annual Percentage Fee</b>
\$0	\$1,000,000	1.0%
\$ 1,000,001	\$3,000,000	.5%
\$3,000,001	\$6,000,000	.30%
Over \$6,000,000		.20%

**Annualized Investment Management Fees EQUITY & BALANCED ACCOUNTS**

<b>Annualized Investment Management Fees</b>		
<b>Account Value From</b>	<b>Account Value To</b>	<b>Annual Percentage Fee</b>
\$0	\$1,000,000	1.25%

\$ 1,000,001	\$3,000,000	.80%
\$3,000,001	\$6,000,000	.60%
Over \$6,000,000		.40%

Certain Clients pay fees according to a fee schedule previously used by the Adviser that may differ from the above schedule.

#### Courtesy Accounts

From time to time, Adviser may allow a Client (or parties related to a Client) at Adviser's discretion, to utilize Adviser's master agreement with a custodian for custody and to execute trades with no fees charged by the Adviser. Such accounts are not managed by the Adviser and are provided no investment advisory or investment supervisory services.

### PORTFOLIO ADMINISTRATION SERVICES

The Adviser charges a Flat Retainer Fee for Portfolio Administration Services based on certain criteria which may include; the complexity of the portfolio, the type of assets held the activity in the portfolio, etc. The retainer fee will be reflected in Schedule A of the Portfolio Administration Services Client Agreement and will be billed quarterly, in arrears. There is a minimum annual retainer fee of \$1,000.

### EXCHANGE TRADED FUNDS PORTFOLIO SERVICES

The Adviser charges a fee of one half of one percent (.50%) per annum, payable quarterly, in arrears (.125% per quarter). In the first quarter, the fee will be prorated based on the number of days that the account was open during the quarter. Fees are deducted from a Client's ETF Portfolio account.

In the event of termination, fees will be pro-rated to the date of termination and collected from the account prior to the removal of Adviser as adviser. Termination fees collected directly from Client are subject to a \$100.00 processing fee and daily interest at the rate of 12% per annum.

## **FEE COLLECTION**

WFA's investment management fee is paid quarterly, in arrears, based upon the market value of the assets (subject to the scope of the CA) on the last business day of the previous quarter. All fees are rounded up or down to the nearest dollar.

### **By Custodian**

Client authorizes the custodian(s) of Client's account(s) to debit such account(s) for the amount of WFA's investment advisory fee and to directly remit those advisory fees to WFA in accordance with required SEC procedures as follows:

(1) WFA will send the Client and the custodian(s) a bill showing the amount of fees charged; and (2) The custodian(s) will send the Client a statement, at least quarterly (Trust Clients may direct the trust company to provide statements less frequently), indicating all amounts disbursed from the account including the amount of advisory fees paid directly to WFA.

### **Direct Billing**

In the CA, Client may request direct billing of WFA's investment advisory fees as follows: (1) WFA will create and submit to Client a bill showing the amount of fees due; and (2) The bill is payable to WFA within 30 days of receipt by the Client.

## **HOURLY FEES**

The Hourly Fee is applied occasionally for miscellaneous services. WFA's hourly fees range from \$100 to \$500 per hour depending on staff billing rates.

## **FEE COLLECTION**

Hourly Fee(s) will be agreed upon in advance by WFA and Client and are billed in arrears. WFA will bill in increments of fifteen (15) minutes, with the minimum fee amount charged by WFA to be \$100. (Minimum may be waived at the discretion of WFA).

## **FLAT (FIXED) MANAGEMENT FEES**

On occasion, at its sole discretion, WFA may charge a lesser or Flat Management Fee based on certain criteria which may include existing wealth management client relationship, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with Client, etc.

### **FEE COLLECTION**

A Client's Flat Management Fee is detailed in Schedule B of the CA. To the extent so engaged by Client in Schedule B of the CA, the Flat Management Fee will be billed quarterly in arrears. Upon completion of a one year term, the Flat Management Fee reflected in Schedule B of the CA will automatically be renewed under the terms of the CA unless terminated or revised by WFA or terminated by Client.

## **FLAT (FIXED) CONSULTATION FEES**

The Flat (Fixed) Consultation Fee is determined by the scope of the project and may include but is not limited to business planning, business succession planning, estate planning, financial planning, insurance planning, and wealth management.

### **FEE COLLECTION**

Flat (Fixed) Consultation Fees will be billed in advance as detailed in the CA, from the date of signing of the CA by Client. The fee is fully earned upon signing of the CA by Client. As WFA's services may not be proportionally delivered, if Client terminates the contract before the completion of the engagement for any reason except fraud, all remaining balances will become immediately due and payable. Upon termination of the CA, WFA will deliver any work in progress to Client with no further obligation to WFA.

## **RELATIONSHIP ACCOUNTS**

To accommodate relationships with existing Clients, WFA may accept smaller accounts. These accounts have no minimum size but are subject to a \$1,000 per year minimum fee. Fees are 1% of assets under management regardless of account size. They are invested only in open and closed end and exchange traded mutual funds of WFA's choosing. Statements are provided quarterly and fees are collected only from the account.

### **FEE COLLECTION**

#### **Only by Custodian**

Client authorizes the custodian(s) of Client's account(s) to debit such account(s) for the amount of WFA's investment advisory fee and to directly remit those advisory fees to WFA in accordance with required SEC procedures as follows:

(1) WFA will send the Client and the custodian(s), a bill showing the amount of fees charged; and

(2) The custodian(s) will send the Client a statement, at least quarterly (trust Clients may direct the trust company to provide statements less frequently), indicating all amounts disbursed from the account including the amount of advisory fees paid directly to WFA.

## MISCELLANEOUS

Lower fees may be charged for annuity contracts and charitable foundations.

## ITEM 6-PERFORMANCE BASED FEES

### PERFORMANCE FEES

Fees are not based on a share of the capital gains or capital appreciation of managed securities. The Adviser does not use a performance-based fee structure.

### FEE BILLING

Investment management fees are billed quarterly, in arrears meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are deducted from the client account to facilitate billing as authorized by the Client Advisory Agreement. Fees for financial plans are billed the lesser of half the agreed upon fee or \$1000 in advance, with the balance due upon delivery of the financial plan.

### CONFLICT OF INTEREST BETWEEN DIFFERENT FEE STRUCTURES

The Adviser offers several different investment management services detailed in this brochure that compensate the Adviser differently depending on the service selected. There is a conflict of interest for the Adviser and its associated personnel to recommend the services that offer a higher level of compensation to the Firm through either/both higher management fees or reduced administrative expenses. The Adviser mitigates this conflict through its procedures to review client accounts relative to the client or investors personal financial situation to ensure the investment management service provided is appropriate. Further, the Adviser is committed to its obligation to ensure associated persons adhere to the Firm's Code of Ethics and to ensure that the Firm and its associated persons fulfill their fiduciary duty to clients or investors.

## ITEM 7-TYPES OF CLIENTS

### DESCRIPTION

The Adviser generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities. Client relationships vary in scope and length of service.

## ACCOUNT MINIMUMS

There is a minimum new account size of \$1,000,000 of investable assets for establishing an asset management account with WFA. However, WFA reserves the right to waive this minimum at its sole discretion.

## ITEM 8—METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### METHODS OF ANALYSIS

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and filings with the Securities and Exchange Commission.

### INVESTMENT STRATEGIES

Strategies may include long-term purchases, short-term purchases, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). WFA utilizes an asset allocation process that involves selecting a mix of asset classes and the efficient allocation of capital to those asset classes. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. The Adviser's strategies do not involve frequent trading.

### MARKET, REGULATORY, AND SECURITY SPECIFIC RISKS

Any investment with the Adviser involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below:

#### **Market Risks:**

**Competition.** The securities industry and the varied strategies and techniques to be engaged in by the Adviser are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**Market Volatility.** The profitability of the Adviser substantially depends upon it correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Adviser cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

**WheelerFrost Associates, Inc's. Investment Activities.** The Adviser's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize profits. Additionally, specific investments under the Adviser's strategy may require significant time to realize the expected return and may experience a pricing correction in a faster-than-expected time, subjecting the Adviser to reinvestment risk. Likewise, the investment strategy of the Adviser is partially dependent on its ability to correctly identify and assess technology's impact on a company's business. As a result of the nature of the Adviser's investing activities, it is possible that its financial performance may fluctuate substantially over time and from period to period.

**Material Non-Public Information.** By reason of their responsibilities in connection with other activities of the Adviser and/or its affiliates, certain principals or employees of the Adviser and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

**Accuracy of Public Information.** The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Investments may not perform as expected if information is inaccurate.

**Investments in Undervalued Securities.** The Adviser intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Adviser's investments may not adequately compensate for the business and financial risks assumed. The Adviser may make certain speculative investments in securities which it believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. It is likely that a major economic recession could severely disrupt the market for such investments and severely impact their value. In addition, it is likely that any such economic

downturn could adversely affect the ability of the issuers of such obligations to repay principal and pay interest thereon and increase the incidence of default for such securities. Additionally, there can be no assurance that other investors will ever come to realize the value of some of these investments, and that they will ever increase in price. Furthermore, the Adviser may be forced to hold such investments for a substantial period of time before realizing their anticipated value. During this period, a portion of the Client's funds would be committed to the investments made, thus possibly preventing the Adviser from investing in other opportunities.

**Small Companies.** The Adviser may invest a portion of its assets in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the Adviser may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

**Volatility of Currency Prices.** The profitability of the Adviser's portfolios depends, in part, upon the Adviser correctly assessing the future price movements of currencies. However, price movements of currencies are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. The Adviser cannot guarantee that it will be successful in accurately predicting currency price and interest rate movements.

**Options and Other Derivative Instruments.** The Adviser may invest, from time to time, in options and other derivative instruments, including, but not limited to, the buying and selling of puts and calls on some of the securities held by the Adviser. The prices of many derivative instruments, including many options and swaps, are highly volatile. The values of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Adviser is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument or asset on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument or asset at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument or asset at the exercise price.

If a put or call option purchased by the Adviser were permitted to expire without being sold or exercised, the Adviser would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold to the Adviser at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying instrument or asset would then be sold by the Adviser at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument or asset above the exercise price of the option. This risk is enhanced if the instrument or asset being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The instrument or asset necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing instruments or assets to satisfy the exercise of the call option can itself cause the price of the instruments or assets to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Adviser of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

**Hedging Transactions.** Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, other derivatives, and other investment techniques are commonly utilized by investment funds to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions’ value.

Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Adviser to hedge against a fluctuation at a price sufficient to protect the Adviser's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying instruments or assets. Accordingly, options on highly volatile instruments or assets may be more expensive than options on other instruments or assets and of limited utility in hedging against fluctuations in their prices.

The Adviser is not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedges are implemented, their success is somewhat dependent on the Adviser's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

**Market or Interest Rate Risk.** The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance; however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Adviser.

**Fixed Income Call Option Risk.** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Adviser is exposed to reinvestment rate risk – the Adviser will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

**Maturity Risk.** In certain situations, the Adviser may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Adviser will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.

**Inflation Risk.** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a

coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

**Investments in Non-U.S. Investments.** From time to time, the Adviser may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Adviser may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Adviser's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Adviser's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Adviser's foreign currency holdings. If the Adviser enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Adviser enters forward contracts for the purpose of increasing return, it may sustain losses.
- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

**Risk of Default or Bankruptcy of Third Parties.** The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if a counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid. In addition, the Adviser could

suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Adviser does business, or to which securities, commodities, other financial instruments and/or other assets have been entrusted for custodial purposes. For example, if the Adviser's prime broker and custodian were to become insolvent or file for bankruptcy, the Adviser could suffer significant losses with respect to any securities held by such firm.

### **Regulatory Risks:**

**Strategy Restrictions.** Certain institutions may be restricted from directly utilizing investment strategies of the type in which the Adviser may engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment in the Adviser is appropriate.

**Trading Limitations.** For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Adviser to loss. Also, such a suspension could render it impossible for the Adviser to liquidate positions and thereby expose the Adviser to potential losses.

**Tax Risk.** The tax aspects of an investment in the Adviser are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles as applicable.

**Conflicts of Interest:** In the administration of client accounts, portfolios and financial reporting, the Adviser faces inherent conflicts of interest which are described in this brochure. Generally, the Adviser mitigates these conflicts through its Code of Ethics which provides that the client's interest is always held above that of the Firm and its associated persons.

**Supervision of Trading Operations.** The Adviser, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite the Adviser's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts.

Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

### **Security Specific Risks:**

**Liquidity:** Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not

have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.

**Currency:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Limited Liquidity of Interests:** An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for the interests of the Adviser and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.

**Lack of Registration:** Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.

**Withdrawal of Capital:** The ability to withdraw funds from the funds or LP interests is usually restricted in accordance with the withdrawal provisions contained in an Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

## ITEM 9-DISCIPLINARY INFORMATION

### LEGAL AND DISCIPLINARY

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## ITEM 10-OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### BROKERAGE AFFILIATIONS

#### **Applicant sells products or services other than investment advice to clients**

The principal business of WFA is providing investment management and wealth management services to its clients. Investment management involves the management of clients' investment portfolios. Wealth management involves a process of assisting clients with a variety of issues including estate and trust planning, retirement planning, business succession planning and how these issues relate to investment planning.

#### **Other Investment Adviser**

WFA shares some clients in common with Chris Cooper & Company, a state registered independent adviser located in Toledo, Ohio. WFA manages the

investment portfolios of these common clients. Chris Cooper & Company provides financial planning, tax preparation, and elder and long term care planning and consulting to these clients. WFA pays a percentage of the asset management fees earned from these clients to Chris Cooper & Company. This relationship is fully disclosed to these clients on solicitor disclosure statement of WFA's Client Agreement (CA).

### **Banking or Thrift Institution**

National Advisors Trust Company - Peter R. Wheeler & Mary M. Wheeler, principals in WFA have a minority ownership interest in a savings and loan holding company, National Advisors Holding, Inc. ("NAH") that has formed a federally chartered trust company, National Advisors Trust Company ("NATC"). NAH and NATC are regulated by the Office of Thrift Supervision. The trust company provides a low cost alternative to traditional trust service providers. Where appropriate, WFA will refer clients to NATC for trust services. NATC is not a primary business focus of WFA and WFA receives no compensation for referrals to NATC.

## **ITEM 11-CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **CODE OF ETHICS**

The Adviser has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to the Adviser's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Adviser's Compliance Officer. Each supervised person of the Adviser receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting the Compliance Officer of the Adviser.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Under the Adviser's Code of Ethics, the Adviser and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of the Adviser, managers, members, officers and employees on the same day purchase or sell the same security, either the clients and the Adviser, managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price. The Adviser and its managers, members, officers and employee may also buy or sell specific securities for their own accounts

based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

In addition, WFA's Chief Investment Officer (CIO) is a member of the Association for Investment Management and Research (AIMR), and is bound by a Code of Ethics and Standard of Practice, a copy of which is housed in a Standards of Practice booklet and can be requested for viewing by Clients. The Code of Ethics and Standards of Practice applies to WFA as is required by such members of AIMR. One of the areas reviewed for activity in employee investment accounts is for front running, whereby employees purchase securities or sell securities before Clients in anticipation of such client purchases and sales impacting the value of the investment. Such activity is not allowed and is seen as an unethical business practice in contravention to WFA's code of conduct and standards of practice.

## PERSONAL TRADING

The Chief Compliance Officer of the Adviser is Mary Wheeler. She reviews all employee trades each quarter (except for her own trading activity that is reviewed by another principal or officer of the Firm). The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## ITEM 12-BROKERAGE PRACTICES

### BROKERAGE SELECTION AND SOFT DOLLARS

The Adviser does not have the authority over the selection of the broker to be used or the commission rates to be paid without obtaining specific client consent. The Adviser may recommend brokerage firms as qualified custodians and for trade execution.

The Adviser does not receive fees or commissions from any of these arrangements.

### ORDER AGGREGATION

The Adviser may purchase and/or sell the same security for many accounts, even though each Client account is individually managed. When possible, the Adviser may also aggregate the same transaction in the same securities for many Clients for whom the Adviser has discretion to direct brokerage. Clients in aggregated transactions each receive the same price per unit, although they may pay differing brokerage commissions depending upon the nature of their directed brokerage arrangement, if any.

If more than one price is paid for securities in an aggregated transaction, each client in the aggregated transaction will receive the average price paid for the block of securities in the same aggregated transaction for the day. If the Adviser is unable to fill an aggregated transaction completely, but receives a partial fill of the aggregated transaction, the Adviser will allocate the filled portion of the transaction to clients based on an equitable rotational system as follows:

- The Adviser must ensure that adequate and full disclosure of its allocation and bunching practices has been made prior to the transaction.
- All clients/investors, accounts or funds participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rata basis.
- Aggregate transactions must not be executed unless the intended and resultant aggregation is consistent with its duty to seek best execution and any terms found in the Adviser's written agreements.
- Aggregated orders filled in their entirety shall be allocated among clients/investors, accounts or funds in accordance with an allocation statement created prior to the execution of the transaction(s); partially filled orders shall be allocated pro-rata based on the allocation statement and the variance from the modeled allocation of a security. Where this method prescribes an odd-lot that is less than 100 shares for an account, the allocation will be rounded up to a whole lot. Client/investor funds held collectively for the purpose of completing the transaction may not be held in this commingled manner for any longer than is practical to settle the transaction.
- Each client/investor, account or fund that participates in an aggregated order will participate at the average share price for all the Adviser's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client/investor's, account's or fund's participation in the transaction.
- Investments resulting from any aggregated order must be consistent with the specific investment objective(s) of each client/investor, account or fund as detailed in any written agreements. No additional compensation shall result from the proposed allocation. No Client/investor, account or fund will be favored over any other Client/investor, account or fund as a result of the allocation.
- Pre-allocation statement(s) specifying the participating Client/investor accounts and the proposed method to allocate the order among the clients/investors, accounts or funds are required prior to any allocated order. Basis for establishing pre-allocations may include pro-rata of account assets to assets for the specific strategy, executing broker and variance from modeled position holding as factors. Should the actual allocation differ from the allocation statement, such trade may only be settled with the approval of the CEO or another appropriately qualified and authorized principal of the Adviser.

In cases where the Client has negotiated the commission-rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Client will be precluded from receiving the benefit of any, possible commission discounts that might otherwise be available a result of the aggregated trade.

## WRAP PROGRAMS

Adviser is not a sponsor or a provider of investment management services to a WRAP program.

## ITEM 13-REVIEW OF ACCOUNTS

### PERIODIC REVIEWS

Account reviews are performed quarterly by a qualified designee appointed by the CCO. In addition to on-going supervision of accounts the firm's designee will on a quarterly basis review accounts to ensure that the investments and portfolio mix are consistent with the client's Investment Policy Statement.

### REVIEW TRIGGERS

Accounts are reviewed quarterly or more frequently when market conditions dictate. Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's financial or personal situation.

### REGULAR REPORTS

Clients receive periodic reports on at least a quarterly basis. The written reports may include account valuation, performance stated in dollars and as a percent, net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives. Clients receive statements of account positions no less than quarterly from the account custodian.

## ITEM 14-CLIENT REFERRALS AND OTHER COMPENSATION

### CLIENT REFERRALS

The Adviser has entered into solicitor relationships with qualified individuals or firms who are paid to refer clients to the Adviser. The Adviser ensures that all solicitors are licensed when it is required and are otherwise qualified to provide investment advice. All solicitors may only provide impersonal investment advice by recommending the Firm's services and comment on portfolio construction.

The terms of all solicitor arrangements are defined by a contract between the solicitor and the Adviser which sets forth the term of the agreement and the form of compensation to the solicitor. The solicitor is required by the Adviser to present a disclosure to all prospects and clients which details the compensation to the solicitor and other general terms of the relationship between the solicitor and the Adviser. The solicitor must have the client sign this disclosure and return it to the Adviser prior to receiving any compensation from the Adviser.

### REFERRALS TO THIRD PARTIES

The Adviser does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### CUSTODY POLICY

The Adviser does not accept or permit the Firm or its associated persons to obtain custody of client assets to include cash, securities, acting as trustee, providing bill paying service, have password access to control account activity or any other form of controlling client assets. All checks or wire transfer to fund client accounts are required to be made out to/sent to the account custodian and transferred to the custodian by the end of the next business day.

#### ACCOUNT STATEMENTS

All assets are held at qualified custodians and the custodians provide account statements not less than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

#### PERFORMANCE REPORTS

Clients are urged to compare the account statements received directly from their custodians to the statements provided by the Adviser to compare position holdings and valuations

### ITEM 15-INVESTMENT DISCRETION

#### DISCRETIONARY AUTHORITY FOR TRADING

The Adviser contracts for discretionary authority to transact portfolio securities accounts on behalf of clients. Discretionary authority is granted by the Adviser's investment management agreement. The Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The firm's discretionary authority regarding investments may however be subject to certain limitations. These limitations are recognized as the restrictions and prohibitions placed by the Client on transactions in certain types of business or industries. All such restrictions are to be agreed upon in writing at the account's inception.

The Adviser will consult with the client where discretion is not obtained prior to each trade in order to obtain client approval for the transaction(s).

The Client authorizes the Adviser to select the custodian to be used and the commission rates paid to the Adviser. The Adviser does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

### ITEM 17-VOTING CLIENT SECURITIES

#### PROXY VOTES

The Adviser will not vote nor advise clients how to vote proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. The Adviser does not give any advice or take any action with

respect to the voting of these proxies. For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. The Adviser promptly passes along any proxy voting information to the clients or their representatives.

## ITEM 18-FINANCIAL INFORMATION

### FINANCIAL CONDITION

The Adviser does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The Adviser meets all net capital requirements that it is subject to and the Adviser has never been the subject of a bankruptcy petition.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## BUSINESS CONTINUITY PLAN

### GENERAL

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### DISASTERS

The Business Continuity Plan covers natural disasters such as hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

## ALTERNATE OFFICES

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## SUMMARY OF BUSINESS CONTINUITY PLAN

A summary of the Business Continuity Plan is available upon request to WheelerFrost Associates, Inc's Chief Compliance Officer.

## INFORMATION SECURITY PROGRAM

### INFORMATION SECURITY

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

## PRIVACY PRACTICES

### **Privacy Policy**

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your Client Advisory Agreement and may be obtained by contacting the Chief Compliance Officer of the Adviser.

### **WheelerFrost Associates, Inc:**

- a) Collects non-public personal information about its clients from the following sources:
  - Information received from clients on applications or other forms;
  - Information about clients' transactions with the Adviser, its affiliates and others;
  - Information received from our correspondent clearing broker with respect to client accounts;
  - Information received from service bureaus or other third parties.
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
  - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
  - When required to maintain or service a customer account;

- To resolve customer disputes or inquiries;
  - With persons acting in a fiduciary or representative capacity on behalf of the customer;
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
  - In connection with a sale or merger of The Adviser's business;
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
  - To comply with federal, state or local laws, rules and other applicable legal requirements;
  - In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
  - In any circumstances with the customer's instruction or consent.
- c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
- d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.

**(Part 2B of Form ADV)**

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This brochure provides information about principals and adviser representatives of WheelerFrost Associates, Inc and this brochure supplements the WheelerFrost Associates, Inc brochure. You should have received a copy of that brochure. Please contact Mary Wheeler at (619) 491-0225, or by email at: [mary@wheelerfrost.com](mailto:mary@wheelerfrost.com) if you did not receive WheelerFrost Associates, Inc brochure or if you have any questions about the contents of this supplement. 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 principals and adviser representatives of WheelerFrost Associates, Inc is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

3.21.2012

## BROCHURE SUPPLEMENT (PART 2B OF FORM ADV)

### EDUCATION AND BUSINESS STANDARDS

WheelerFrost and Associates may require that advisors have a bachelor's degree and/or further coursework demonstrating knowledge of financial planning.

Examples of acceptable coursework may include: an MBA, a CFP, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

### PROFESSIONAL CERTIFICATIONS

Employees have earned certifications and credentials that are required to be explained in further detail.

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**Principal Executive Officer & Member of Executive Committee**

**Peter Ryder Wheeler**

Date of Birth: September 19, 1945

Education:

- 1968 - Bachelor of Science Degree in Business Administration (Finance) from the University of Arizona
- 1974 - Chartered Life Underwriter from the American College (CLU)
- 1982 - Chartered Financial Consultant from the American College (ChFC)
- 1995 - Certified Financial Planner from the Certified Financial Planner Board of Standards (CFP)

**Item 2-Business Background:**

1981 to present, President and Chief Executive Officer, WheelerFrost Associates, Inc.

**Item 3-Disciplinary Activity:** None

**Item 4-Other Business Activities:** Co-founder/Managing Partner of Global Practice Network, LLC, a technology and consulting firm.

**Item 5-Additional Compensation:** United States Navy Retirement Pension

**Item 6-Supervision:**

Peter R. Wheeler is supervised by the Board of Directors of WheelerFrost Associates, Inc. They review Peter R. Wheeler's work through frequent interactions.

Supervisor's contact information: Board Members Kenneth G. Frost, Mary M. Wheeler, David P. White

Phone - 619-491-0225, email - [kfrost@wheelerfrost.com](mailto:kfrost@wheelerfrost.com)

**Principal Executive Officer & Member of Executive Committee**

**Kenneth Grover Frost**

Date of Birth: April 15, 1958

Education:

- 1978 - Associate of Arts Degree, Treasure Valley Community College
- 1980 - Bachelor of Science Degree in Psychology, Oregon State University

- 1984 - Masters of Business Administration, Oregon State University
- 1998 - Chartered Financial Analyst (CFA)

**Item 2-Business Background:**

1985 to present, Vice President and Chief Investment Officer,  
WheelerFrost Associates, Inc.

**Item 3-Disciplinary Activity:** None

**Item 4-Other Business Activities:** None

**Item 5-Additional Compensation:** None

**Item 6-Supervision:**

Kenneth G. Frost is supervised by Peter R. Wheeler, CEO of WheelerFrost Associates, Inc. He reviews Kenneth G. Frost's work through frequent office interactions.

Supervisor's contact information: Peter R. Wheeler,

Phone - 619-491-0225, email - [prw@wheelerfrost.com](mailto:prw@wheelerfrost.com)

**Principal Executive Officer**

**Mary M. Wheeler**

Date of Birth: May 25, 1944

Education:

- 1971 - Bachelor of Science in Public Administration, University of Arizona

**Item 2-Business Background:**

1985 to present, Vice President and Chief Compliance Officer,  
WheelerFrost Associates, Inc.

**Item 3-Disciplinary Activity:** None

**Item 4-Other Business Activities:** Cofounder of Global Practice Network, LLC, a technology and consulting firm.

**Item 5-Additional Compensation:** None

**Item 6-Supervision:**

Mary M. Wheeler is supervised by Peter R. Wheeler, CEO of WheelerFrost Associates, Inc. He reviews Mary M. Wheeler's work through frequent office interactions.

Supervisor's contact information: Peter R. Wheeler,

Phone - 619-491-0225, Email - [prw@wheelerfrost.com](mailto:prw@wheelerfrost.com)

**Principal Executive Officer and Member of Investment Committee**

**David P. White**

Date of Birth: December 31, 1958

Education:

- 1981 – Bachelor of Science in Finance, University of Arizona

**Item 2-Business Background:**

1994 to 2004, Registered Representative, Financial West Group

1994 to 2011, Principal of David White Investment Counsel

2011 to present, Vice President, WheelerFrost Associates, Inc.

**Item 3-Disciplinary Activity:** None

**Item 4-Other Business Activities:** None

**Item 5-Additional Compensation:** None

**Item 6-Supervision:**

David P. White is supervised by Peter R. Wheeler, CEO of WheelerFrost Associates, Inc. He reviews David P. White's work through frequent office interactions.

Supervisors contact information: Peter R. Wheeler

Phone – 619-491-0225, Email – [prw@wheelerfrost.com](mailto:prw@wheelerfrost.com)

**Member of Investment Committee**

**Anders J. Norrman**

Date of Birth: June 13, 1975

Education:

- 2001 - Bachelor of Science in Business Administration and Industrial Engineering, University of Kristianstad, Sweden
- 2003 - Masters of Business Administration - Finance, United States International University

- 2008 - Certified Financial Planner (CFP)

**Item 2-Business Background:**

1999-2000, Market Researcher, Prospera Research;

2002, Assistant to Portfolio Manager, Asset Planning Solutions;

2003-Present, Vice President and Assistant Portfolio Manager, WheelerFrost Associates, Inc.

**Item 3-Disciplinary Activity: None**

**Item 4-Other Business Activities: None**

**Item 5-Additional Compensation: None**

**Item 6-Supervision:**

Anders J. Norrman is supervised by Kenneth G. Frost, CIO of WheelerFrost Associates, Inc. He reviews Anders J. Norrman's work through frequent office interactions.

Supervisor's contact information: Kenneth G. Frost,

Phone - 619-491-0225, Email - [kfrost@wheelerfrost.com](mailto:kfrost@wheelerfrost.com)

**Ad Hoc Member of Investment Committee**

**Valerie W. Ewell**

Date of Birth: July 12, 1952

Education:

- 1974 - Bachelor of Science in Chemistry, University of Arizona
- 1978 – Doctor of Veterinary Medicine, University of Illinois
- 2010 - Certified Financial Planner (CFP)

**Item 2-Business Background:**

1981- 2010, Veterinarian, La Jolla Veterinary Hospital;

2010, Principal, Opus Financial, LLC;

2011-Present, Associate, WheelerFrost Associates, Inc.

**Item 3-Disciplinary Activity: None**

**Item 4-Other Business Activities: Veterinarian Consultant**

**Item 5-Additional Compensation: Income from Veterinarian consulting**

**Item 6-Supervision:**

Valerie W. White is supervised by Peter R. Wheeler, CEO of WheelerFrost Associates, Inc. He reviews Valerie W. Ewell's work through frequent office interactions.

Supervisor's contact information: Peter R. Wheeler,

Phone - 619-491-0225, Email – [prw@wheelerfrost.com](mailto:prw@wheelerfrost.com)

**Ad Hoc Member of Investment Committee****Sean P. Nisil**

Date of Birth: July 22, 1984

Education:

- 2007 - Bachelor of Theology, Biola University

**Item 2-Business Background:**

2007-2011, Financial Advisor, Lord and Gladden Investment Advisors;

2011-Present, Financial Advisor, Client Relations, WheelerFrost Associates, Inc.

**Item 3-Disciplinary Activity:** None

**Item 4-Other Business Activities:** New Heights Community Church,  
Youth Director

**Item 5-Additional Compensation:** Income from New Heights  
Community Church

**Item 6-Supervision:**

Sean P. Nisil is supervised by Peter R. Wheeler, CEO of WheelerFrost Associates, Inc. He reviews Sean P. Nisil's work through frequent office interactions as well as remote interactions. He also reviews Sean P. Nisil's activities through our client relationship management system.

Supervisor's contact information: Peter R. Wheeler,

Phone - 619-491-0225, Email - [prw@wheelerfrost.com](mailto:prw@wheelerfrost.com)