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August 1<sup>st</sup>, 2014

This wrap fee program brochure (Program Brochure) provides information about the qualifications and business practices of Wunderlich Securities, Inc. (Wunderlich). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer – Investment Advisory Services, Brent P. Nicks, at (901) 259-9404 or [bpnicks@wundernet.com](mailto:bpnicks@wundernet.com). The information in this Program Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Wunderlich is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Wunderlich who are registered, or are required to be registered, as investment adviser representatives. You can search this site for information about Wunderlich by searching for a unique identifying number, known as a CRD number. The CRD number for Wunderlich is 2543. Registration with the SEC does not imply a certain level of skill or expertise.

## **Item 2 – Material Changes**

The following items explain material changes that you should be aware of as a current or prospective client of our advisory programs or services. Each year you will receive either a summary of material changes that were made to the brochure over the previous year or an updated brochure. You can always request a full copy of any of our current disclosure brochures by contacting Brent P. Nicks, Chief Compliance Officer – Investment Advisory Services, at (901) 259-9404 or [bpnicks@wundernet.com](mailto:bpnicks@wundernet.com).

The changes that have been made to this document since our annual amendment in September 2013 are summarized below:

### **Corporate Restructuring**

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In December 2013, Wunderlich closed an equity capital investment of up to \$40 million led Altamont Capital Partners, a private investment firm based in San Francisco, CA. As part of the transaction, Altamont now provides three (3) members to the board of directors for the Wunderlich Securities, Inc. parent company – Wunderlich Investment Company and joins current capital partner Coil Investment Group.

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## Item 4 – Services, Fees & Compensation

### **Wunderlich Securities, Inc., Wrap Fee Program (WSI)**

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Under WSI, Wunderlich provides ongoing supervision of your assets and your Representative provides continuous and ongoing investment management. Representative will exercise full investment discretion and choose all the investments or elect to delegate that authority and responsibility to a third-party money manager (Sub-adviser). You and your Representative will review your objectives and the performance of your account at least annually.

In addition to the advisory agreement signed with Wunderlich, you might also be required to sign an agreement with any Sub-adviser(s) chosen. If engaged, each Sub-adviser will manage a portion of your assets according to its stated investment objective. Each Sub-adviser employs different strategies and will exercise full investment discretion over the assets under its control. Representative will not have any discretion over the investments chosen, but will have the authority to terminate the relationship with any chosen Sub-adviser. Representative may choose any Sub-adviser available through First Clearing and may also engage Wunderlich Capital Management, LLC (WCM).

The maximum annual fee Wunderlich is entitled to charge on accounts participating in the WSI Wrap Fee program is 3% annually. The amount of the fee is negotiable and may be altered at any time by mutual agreement of the parties involved. To participate in the program, the Client must have at least \$250,000 of assets under management in the Account or have an equivalent amount of assets under management householded in multiple accounts. Any amount paid to an elected Sub-adviser will be paid from the program maximum amount and will be acknowledged by the Client on the WSI Wrap Fee Plan advisory agreement.

Wunderlich and/or First Clearing reserves the right - depending on the Sub-adviser chosen and the fees it charges - to request an increased wrap fee if a Sub-adviser is engaged. You are not required to consent to the request. If you do not pay such increase, Wunderlich and/or First Clearing may either engage the Sub-adviser

without increasing the fee or decline to engage the Sub-adviser. You should carefully review each Sub-adviser's Disclosure Document and the Advisory Agreement before investing.

Clients should be aware that Wunderlich's parent company, Wunderlich Investment Company, Inc. (WIC), also owns a 20% interest in WCM. The majority owner and Chief Investment Officer of WCM is Philip Wunderlich, whose brother, Gary Wunderlich, is Chief Executive Officer of Wunderlich Securities, Inc.

### **Wunderlich Asset Management Program (WAM)**

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Under WAM, Wunderlich, through the Representative for the Client, provides investment management services on either a discretionary or non-discretionary basis. The Representative will provide portfolio management services and provide recommendations on a wide variety of investment options as discussed herein.

The maximum annual program fee for accounts participating in WAM is 3% annually and is subject to negotiation. Blended fees can occur for accounts exceeding valuation benchmarks that begin at \$500,001. To participate in WAM, the Account minimum investable assets should be \$50,000. At Wunderlich's discretion, exceptions to the account minimum can be made.

Discretion provided to the Representative will be done in writing as part of the program advisory agreement and will remain effective until revoked by either party in writing. Discretion associated with the Program will additionally terminate upon the termination of the Representative's association with Wunderlich and the Client's subsequent election (in writing) of a new Representative.

### **WSI and WAM Program Information**

You or Wunderlich may terminate the Advisory Agreement at any time upon notice to the other party. If you terminate the Advisory Agreement within 5 days of its execution, you will receive a full refund of any Advisory Fees. However, termination will not affect any other liabilities or obligations incurred or arising from transactions

effected for your Account or actions taken prior to such termination. Neither will it affect agreements intended to survive termination, including the provision regarding arbitration, which will survive any expiration or termination of the Advisory Agreement. Upon termination, you shall have the exclusive responsibility to monitor the securities in the Account, and neither Wunderlich, the Representative nor any elected Sub-advisers (where applicable in WSI) shall have any further obligation under the Advisory Agreement to act or advise with respect to the Account or those assets.

In addition to your Advisory Agreement, please carefully review this disclosure document before deciding to invest. Additional copies of any disclosure document may be obtained by contacting your Representative or Wunderlich at the address shown on this Brochure.

Wunderlich sponsored wrap fee programs will require a brokerage account for proper management. By signing the Advisory Agreement, you agree that, if needed, you will establish a brokerage account with First Clearing Corporation (First Clearing) a division of Wells Fargo. You may choose to enter into additional agreements with First Clearing, such as for margin or other credit services, cash management services (including “sweeps” of idle cash into a bank deposit product or a money market mutual fund), or other financial services. You will receive separate disclosure documents pertaining to the brokerage account and the other services to be provided by First Clearing.

In both WSI and WAM, your Representative will provide you with recommendations about any or all of the following securities:

- domestic stock (exchange listed & OTC)
- foreign stock (exchange listed & OTC)
- corporate bonds
- municipal bonds
- US government bonds
- certificates of deposit
- money market funds
- mutual funds (no-load or load waived)
- certain exchange traded funds (ETFs)
- closed-end funds (UIT, REIT)
- limited partnerships
- variable life and variable annuities
- options on securities

**Wunderlich does not provide advice about warrants, commercial paper, commodities, futures contracts, or options on commodities or futures contracts.**

Wunderlich relies on pricing services or the broker-dealer that maintains your account to value portfolio securities, assuming market quotations are readily available. If such values are not available or if Wunderlich believes a reported value does not accurately reflect the fair value of the account or any asset of the account, Wunderlich will consider information provided by quotation services believed to be reliable. If any such prices are unavailable or believed to be unreliable, we will determine prices in good faith so as to reflect our understanding of fair market value

**Wrap Fee**

In a wrap fee arrangement, you pay a combined fee for investment advice, brokerage, clearance, settlement, and custodial services. You may also be charged for expenses or services that are not covered by the wrap fee. Your specific fee arrangement and payment terms will be listed in the Advisory Agreement you sign before participating in either WSI or WAM.

Wunderlich charges a wrap fee on all Program Assets. Your brokerage account may hold both Program and Non-Program Assets. Wunderlich will only provide advisory services for Program Assets and is not responsible for managing Non-Program Assets. The wrap fee covers all expenses for brokerage, clearance, settlement, and custodial services as well as all investment advice.

Wunderlich will receive some or all of the wrap fee for its advisory services. It will share this compensation with Representative according to Wunderlich’s separate agreement with Representative. If engaged through use of WSI, each Sub-adviser will collect its own wrap fee on the assets under its control. Sub-advisers will typically charge 0.25% to 0.75% per year. Your Advisory Agreement will indicate how much your chosen Sub-adviser will charge and combine all of the wrap fees into one number. Your total, combined wrap fee will not exceed 3.0%. In WSI, Wunderlich will pay all transaction charges to First Clearing and no commissions will be paid or collected by any

party. For WAM, the account valuation provides for a schedule of ticket charges to occur by trade that is not part of the Program Fee. However, depending on the account valuation, these ticket charges are waived on the first trades done annually. For higher account valuations, more transaction ticket charges are waived.

The WAM ticket charges waived annually is as follows:

<u>Account Valuation</u>	<u>Waived for First:</u>
Less than \$150,000	40 Trades
\$150,001 to \$300,000	60 Trades
Over \$300,001	80 Trades

The ticket charge associated with WAM is currently \$12 prior to any waiver(s).

Because Account balances in the Money Market Funds are included as part of the value of the Account, any asset-based fees owed under the Advisory Agreement will be based, in part, on the balances in these investments. In addition, First Clearing may serve as advisor, sub-advisor, distributor, or administrator to the Money Market Funds and receive compensation for those services. The Money Market Funds may also pay shareholder servicing, shareholder communication, sub-accounting, and 12b-1 fees and charges to First Clearing, as well as fees for the execution of purchases of fund shares, or for trade clearance, settlement, custodial or other functions ancillary thereto. These fees and charges are expenses of the Money Market Funds, which you will bear, indirectly, as a fund shareholder.

If you choose to participate in a cash sweep program, you may pay more in program fees than the interest earnings that may be generated by these cash and cash equivalent assets. Smaller Accounts may be affected more due to fee structures that favor larger accounts. There are differing risks and account protection features between the sweep options. For further information about the cash sweep options, including fees associated with the sweep products, please review the Client Account Agreement, which is provided by First Clearing at the time the brokerage account is established. Additional information about the Money Market Funds is found in their prospectuses.

Under Wunderlich's agreement with First Clearing, its proportionate share of this

compensation will increase as the aggregate balances in the Money Market Funds or other depository products increase. Consequently, the possibility of this compensation creates an incentive for Wunderlich to make decisions for the Account which would have the effect of increasing this compensation.

First Clearing and Wunderlich are permitted to route client orders for over-the-counter and listed equity securities to selected market makers or centers for execution. First Clearing and Wunderlich may receive compensation in the form of a per-share cash payment for directing order flow to these market makers or centers.

For their portion of the fee, Representatives will provide Account support services and may also provide related fiduciary services. In order to receive related fiduciary services you will need to sign a separate agreement. Any fees for related fiduciary services will be calculated as part of the total wrap fee.

Program Fees and certain Account terms are negotiated on a case-by-case basis, depending on a variety of factors, including the nature and complexity of the particular service, the requirements of Representative, your relationship with Wunderlich and Representative, the size of the Account, the potential for other business or clients, the amount of work anticipated, and the attention needed to manage the Account among other factors.

Your Advisory Agreement will state the specific Program Fee applicable to your Account. The fee will be charged in arrears and collected every 3 months on all Program Assets in each account.

The value of those assets will be determined on the first business day of January, April, July and October or other such time period agreed upon by you and your Representative.

The following is an example of how to calculate the quarterly advisory fees for a \$1,000,000 account with an annual advisory fee of 1.20%

Valuation Date	Total Account Value	1.20% Program Fee	Quarterly Fee - \$
January 1	\$1,000,000	0.3%	\$3,000
April 1	\$980,000	0.3%	\$2,940
July 1	\$995,000	0.3%	\$2,985
October 1	\$1,075,000	0.3%	\$3,225

Wunderlich may offer significantly more favorable wrap fee arrangements for friends, relatives, or others with whom Wunderlich or Representative has established personal or family relationships.

You may negotiate the Account values, if any, at which the fee will be discounted (breakpoints), subject to the maximum fees adopted by Wunderlich. You may also specify the Accounts that will be included in the same “household” for purposes of calculating the fee. The actual fee and the breakpoints, if any, will be shown in your Advisory Agreement. The breakpoints will be based on the aggregate value of all Accounts in the same household.

Wrap fees do not cover amounts charged for any of the following (Excluded Items): internal fees or expenses which may be associated with the Account’s investments (including without limitation, internal operating or investment expenses, or distribution fees[such as 12b-1 fees] of mutual funds, unit investment trusts, or electronically traded funds); fees imposed by mutual funds for short-term trading (typically 1% - 2% of the amount originally invested) for redemptions made within short periods of time; any mark-up, mark-down, or dealer spread (whether to Wunderlich, First Clearing or other broker-dealers) related to any Account investment; offering discounts and related fees in connection with underwritten public offerings of securities (of which Wunderlich Securities or First Clearing may be underwriters); costs to third parties for transactions not executed through First Clearing; floor brokerage or exchange fees; fees for wire transfers; costs for exchanging currencies; margin interest; taxes; postage and handling fees; or other expenses

incurred with respect to any investments made for the Account. All of the Excluded Expenses will be direct or indirect expenses borne by the Account, and will be in addition to the Program Fee.

In addition to the Program Fees, you will also be responsible for any other fees and charges described in the Advisory Agreement, as well as any fees charged pursuant to the agreement with a Sub-adviser, if any, and any other applicable fees or charges described in this Brochure or in any agreement with the Custodian or other third parties.

You should consider all of these fees and expenses to fully understand the total amount of fees and expenses to be paid by the Account and to evaluate the advisory services being provided. The fees and expenses related to Money Market Funds or Mutual Funds or ETFs are disclosed in their respective prospectuses. When you choose to participate in an advisory program, you acknowledge that you could purchase Money Market Funds or Mutual Funds or ETF’s directly without paying the Program Fee.

### General Fee Practices

Transactions not settling prior to the last trading day of a calendar quarter may be included in either the current or the following calendar quarter, as determined by Wunderlich on a consistent basis. Fees are not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

Unless otherwise provided in the Advisory Agreement, Wunderlich will calculate the Program Fee on the basis of a 365-day year so that the amount payable each quarter will be based on the actual number of calendar days in that quarter.

Unless otherwise limited by the custodian or an agreement with a Sub-adviser or Separate Account Program, and subject to usual and customary securities settlement procedures, you may make additions or withdrawals from your Account at any time. No fee adjustment will be made for appreciation or depreciation in the value of any Account during any fee calculation period. Unless expressly provided in the Advisory Agreement, no refund or other adjustment of a Program Fee already paid will be

made as a result of a decline in the value of the Account (whether due to market losses or withdrawals); provided, in the event the Advisory Agreement is terminated within 5 days after execution, all Program Fees will be refunded, as provided in the Advisory Agreement.

The Client executed Advisory Agreement will direct the Custodian to pay the Program Fees as instructed by Wunderlich or a Sub-adviser without prior notice. All Account assets, transactions, and Program Fees will be shown on the monthly or quarterly Account statements provided by the Custodian.

### **Conflicts of Interest**

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Wrap fee programs may not be suitable for all investment needs, and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations. The benefits under a wrap fee program depend, in part, upon the size of the account and the number of transactions likely to be generated.

For example, a wrap fee program may not be suitable for accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for services comparable to those provided under the Program.

Wunderlich and Representative receive a portion of the wrap fee as compensation. This compensation may exceed the amount earned if you paid separately for investment advice, brokerage and other services. Accordingly, a conflict of interest exists because Wunderlich and Representative have a financial incentive to recommend the Programs over other programs or services for which the compensation arrangements are not as beneficial.

You should bear in mind that asset-based fee arrangements, when compared with the traditional commission option, generally result in lower costs during periods when trading activity is heavier, such as the year an account is established. During periods when trading

activity is lower, such arrangements may result in higher annual costs. Some clients favor the asset-based fee because it fixes their brokerage cost at a predetermined level; whereas other clients may not find such an arrangement suits their needs because they anticipate their accounts will have low turnover.

Depending on the amount of the wrap fee, the frequency (low or high) of transactions, and the nature and value of the services provided under the Program, the wrap fee may or may not exceed the aggregate cost of obtaining these services separately. The fees for a wrap fee program may result in higher costs than you might otherwise incur by paying a management fee and negotiating separate arrangements for brokerage and trade execution, custodial services, and performance reporting.

Please note the amounts to be charged to your Account for services, fees, expenses, or costs Wunderlich has performed, incurred, advanced, or paid on the Account's behalf (whether or not billed to you, the Account, or Wunderlich) will include a reasonable profit, unless prohibited under the Advisory Agreement or applicable laws, regulations, or rules.

The existence of this profit creates a conflict of interest that could influence Wunderlich to recommend opening or maintaining Accounts that may have higher costs or less favorable services than other suitable alternatives which do not provide equivalent compensation to Wunderlich or the Representative.



## Item 5 – Account Requirements and Types of Clients

### Account Requirements

To participate in the WSI Wrap Fee Program, you must have at least \$250,000 of assets under management in the Account or household several accounts where the average assets under management equals or exceeds \$50,000 per account.

To open an account with any given Sub-adviser, you will need to meet and maintain its minimum account balance. These minimums can typically range from \$25,000 to \$100,000. For WAM participation, the Account should have at least \$50,000 of assets.

### Types of Clients

Wunderlich provides investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, wrap programs, corporations, and other business entities.

## Item 6 – Portfolio Manager Selection and Evaluation

All investment recommendations for WSI and WAM Accounts are based on an analysis of your individual investment objectives, financial needs and tolerance of risk as provided to your Representative. They are drawn from research and analysis we believe to be reliable and appropriate to your financial circumstances. You have a responsibility to your Representative to advise them when there are material changes in your financial situation or stated objectives and tolerances. In WAM, the Representative will act in the capacity of portfolio manager and the review and evaluation of the Representative lies primarily with their assigned supervisory principal.

In the WSI Wrap Plan, WSI often uses WCM to manage your portfolio assets. WCM is a local registered investment adviser that is owned and operated by Phillip Wunderlich – brother to Wunderlich's CEO, Gary Wunderlich. Phillip is registered individually as an investment adviser with Wunderlich and WCM. The close family relationship could produce a conflict of interest in the operation of both businesses which we are addressing by making full disclosure in this

brochure. WCM's performance results are not reviewed by Wunderlich or any other third-party.

In addition to WCM, Accounts at WSI also have the option of using any of the Sub-advisers available through multiple advisory programs offered by First Clearing. Each Program offered by First Clearing has specific criteria used in evaluating and/or selecting portfolio managers or underlying investments for inclusion in the program. To review these criteria, you will need to examine the separate agreement and program description provided by First Clearing. Wunderlich relies on First Clearing's research and due diligence to determine which portfolio managers to include and when to replace each portfolio manager.

Each Sub-adviser engaged by First Clearing reports its performance results to First Clearing. First Clearing verifies the accuracy of this information before including it in your Account information. Wunderlich does not conduct any additional review of the performance results.

## Item 7 – Client Information Provided to Portfolio Managers

First, Representative will collect all personal information required to open the brokerage account. Next, they will work with the Client to identify the financial situation, stated investment objectives, tolerance for risk, and investment time horizon (Suitability Information). Finally, they will accept any reasonable restrictions the Client desires to

impose on investments for the Account. Wunderlich will share part or all of this information with First Clearing and any chosen Sub-adviser, in the WSI Wrap Plan where applicable.

The Client must promptly notify Wunderlich and/or the Representative of any change in their

Suitability Information, including without limitation any change in the investment objective, risk tolerance, investment time horizon, investment policies or guidelines, or reasonable restrictions of the Account. The Client agrees to provide Wunderlich and the Representative with additional information as

Wunderlich or the Representative may request from time to time to assist in servicing and managing the Account. Wunderlich, First Clearing, Representative nor any chosen Sub-adviser will have any liability for failure of the Client to provide accurate or complete information.

## Item 8 – Client Contact with Portfolio Managers

Wunderlich introduces its clients to portfolio managers; it does not provide portfolio management services. The Sub-advisers Wunderlich normally utilizes have their own policies regarding client access and communications; they usually expect your communications to flow through your Representative. In certain instances, Representative may arrange for you to consult directly with the Portfolio Manager if permitted by the separate agreement you sign when engaging each Sub-adviser.

## Item 9 – Additional Information

### Advisory Related Actions

On May 27, 2011, in accordance with an offer of settlement made by Wunderlich, the SEC entered an order finding that, since at least 2007 through 2009, Wunderlich collected undisclosed commissions, transaction charges and expenses from its wrap fee clients; failed to provide the required written disclosure and obtain the required consent on at least 3,000 principal trades; and failed to adopt, maintain and enforce a written compliance manual and code of ethics. Wunderlich voluntarily reimbursed its wrap fee clients all of the excess commissions and charges - \$120,835. Wunderlich also voluntarily reimbursed the asset management fees associated with those overcharged transactions - \$47,418. In addition, pursuant to the order, Wunderlich has agreed to disgorge the mark-up, mark-down and commission amounts associated with the improperly managed principal transactions to the affected parties - \$369,336.15. Wunderlich has also updated its compliance manual and code of ethics. For these violations, Wunderlich, Wunderlich's CEO, Gary Wunderlich, and Wunderlich's CCO, Tracy Wiswall, agreed to cease and desist orders, censures, undertakings and fines of \$125,000, \$45,000, and \$50,000, respectively.

### Broker-Dealer Related Actions

In our capacity as a broker-dealer, and in connection with matters unrelated to our investment advisory business:

- On June 24, 2014, Wunderlich consented to a censure and fine of \$108,343 by FINRA.

Without admitting or denying the allegations, Wunderlich consented to the sanction and entry of findings that Wunderlich facilitated the sale of unregistered shares in the equity securities of two issuers, implemented inadequate supervisory systems to identify such activity and deficient supervisory and compliance procedures regarding the issue. WSI failed to provide adequate training to the designated supervisors on how to assess the availability of an exemption from registration. Additionally, Stephen J. Bonnema, as Wunderlich AML Compliance Officer, violated NASD and FINRA Conduct Rules related to the condition of the AML Compliance program. As a result, Mr. Bonnema was suspended from association with any FINRA firm in a principal capacity for ten (10) days and assessed a fine of \$5000.

- On April 16, 2013, Wunderlich agreed to the imposition of a penalty of \$10,000 by the New York State Department of Financial Services. Wunderlich waived its right to notice and a hearing on the charges that Wunderlich failed to disclose that it was under an SEC order as described in the Advisory Related Actions section above, provided incorrect and untrue information in a renewal application for an insurance agent's license, and failed to report that Wunderlich was censured and ordered to pay a fine to the Illinois Secretary of State and the District of Columbia Department of Insurance.

- On November 13, 2012, Wunderlich consented to a censure and fine of \$7,500 by FINRA. Without admitting or denying the allegations, Wunderlich consented to the sanction and the entry of findings that Wunderlich failed to report to TRACE the correct contra-party's identifier for transactions in trace eligible securities and failed to report to TRACE transactions in trace-eligible securities that it was required to report.
- On October 19, 2012, Wunderlich consented to a censure and fine of \$36,500 by FINRA. Without admitting or denying the allegations, Wunderlich consented to the sanction and the entry of findings that Wunderlich failed to accurately disclose information regarding purchase and sale transactions effected in municipal securities to the RTRS, failed to accurately disclose the yield-to-worst to customers on trade confirmations, failed to report the correct yield to the RTRS. In addition, Wunderlich consented to the entry of findings that Wunderlich's supervisory systems did not provide for supervision reasonably designed to achieve compliance with MSRB rules concerning MSRB Rule G-15, failed to report to TRACE transactions in trace-eligible securities within 15 minutes of the execution time, failed to accurately report to TRACE the date of execution and the accurate execution time in some trades, and failed to report to TRACE the accurate market identifier for one transaction.
- On October 25, 2011, Wunderlich consented to a censure and fine of \$50,000 by FINRA. Without admitting or denying the allegations, Wunderlich consented to the sanction and the entry of findings that Wunderlich failed to supervise the personal trading of research analysts who maintained accounts at other securities firms, where discretionary trading authority had been given to a third party manager or advisor over the account. In addition, Wunderlich consented to the entry of findings that it issued research reports, conducted two public appearances and posted rating on the Wunderlich website that failed to comply with FINRA disclosure requirements.
- On July 27, 2007, Wunderlich consented to a censure and a fine of \$10,000 by the Illinois Securities Division. Without admitting or denying the allegations, Wunderlich consented to the sanction and the entry of findings that Wunderlich failed to file the first semi-annual statement with the Securities Division in a timely manner.
- On May 14, 2004, Wunderlich consented to a censure, 15 day suspension of its President and Chief Compliance Officer, and a fine of \$50,000 by the National Association of Securities Dealers ("NASD," now known as FINRA). Without admitting or denying the allegations, Wunderlich consented to the sanction and the entry of findings that it failed to adequately and properly supervise a registered representative who shared unpublished research and rating information with certain institutional clients and traded ahead of a research report for his personal benefit. In addition Wunderlich consented to the entry of findings that it failed to maintain required books and records of electronic communications and also failed to maintain and enforce adequate written supervisory procedures and systems. Finally, Wunderlich consented to the entry of findings that it failed to disclose market making in its reports and failed to provide written disclosure that it was, at that time, a market maker in securities traded by its customers.

### Other Activities

Wunderlich Securities, Inc., is a broker-dealer as well as a Registered Investment Advisor. Its principal executive officers and its Representatives are registered as both Registered Representatives and Investment Advisor Representatives. You are under no obligation to engage Wunderlich as a broker-dealer or an investment adviser, to effect securities transactions, or to purchase any other products from or through Wunderlich or any of the Representatives acting on its behalf.

Certain Wunderlich employees provide accounting services and insurance products. In these cases, the services are provided through independent accounting firms or insurance agencies that have been established by the employee and are independent of Wunderlich. You are under no obligation to accept any such services.

Wunderlich Securities or its Representative may also be engaged to provide third-party fiduciary or related advisory services outside a traditional wrap fee arrangement. In this case, additional fees for these related services will be detailed under a separate agreement and shared between

Wunderlich and the Representative providing such services. You are under no obligation to accept any such services.

Please refer to the *Conflicts of Interest* section in Item 5 for further information with respect to compensation and conflicts of interest involving Wunderlich and Representative. Although Wunderlich and Representative will endeavor to place your interests first, the conflicts of interest described in this Brochure can influence the recommendations made or actions taken regarding your Account.

Wunderlich and Representative will devote as much time as they believe necessary to help you achieve your investment objectives. They will not devote all or any specific portion of their working time to your affairs, and they may devote a portion of their time to other matters. Further, Wunderlich and its affiliates as well as Representative may organize or become involved with other clients or in other business ventures, including other investment-related businesses. Such other businesses and the clients of such businesses may compete with for the time and attention of Wunderlich's principal executive officers and Representatives, and possibly, for limited investment opportunities, all of which can create conflicts of interest.

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### Other Affiliations

The advisory service of asset management almost always involves the use of a brokerage account. Being dually registered, Wunderlich can offer both the services of an advisor and the order entry capabilities of a broker.

As discussed in Item 4 above, you will need a brokerage account and an Advisory Agreement to participate in any of the Programs offered by Wunderlich. While Wunderlich is a broker-dealer in its own right, it uses various other broker-dealers to execute its trade requests. This makes Wunderlich an "Introducing Broker" and the other broker-dealer a "Clearing Broker" or "Custodian."

For WSI, First Clearing serves as the Clearing Broker, which means that Wunderlich will use First Clearing to process all of the trades in your advisory account. First Clearing also processes the majority of Wunderlich's broker-dealer transactions and provides discounted rates as well as other benefits based on the volume of trading Wunderlich directs through First Clearing's platform. This could influence Wunderlich to recommend First Clearing

Programs when other Brokers might offer you better execution. To insure that you are receiving best execution, Wunderlich compares each and every trade executed at First Clearing to the national average for price and execution speed.

First Clearing was previously a subsidiary of Wachovia Corporation, but became part of the Wells Fargo & Company banking and financial services organization as of December 31, 2008. Wells Fargo Advisors, LLC, a non-bank affiliate of Wells Fargo & Company, is a registered broker-dealer and a Registered Investment Advisor that sponsors certain wrap fee programs offered by Wunderlich. Wells Fargo & Company and its bank and non-bank affiliates (other than First Clearing) are referred to in this Brochure collectively as "Wells Fargo."

Wunderlich and its Representatives have the ability to offer advisory services on a fee plus commission basis. Wunderlich operates its fee plus commission program under the name "Wunderlich Select Program" (Select). Under Select, you would pay Wunderlich's advisory fee and you would pay the Clearing Firm's normal commissions and expenses instead of combining them into one fee that is split between the two. The choice of using a wrap fee program versus using a non-wrap fee program does not increase or decrease Wunderlich's compensation. In either case Wunderlich is entitled to its portion of the advisory fee and does not receive a separate amount for per trade commissions.

Under Select, Wunderlich clears its trades through Fidelity or Charles Schwab. To participate, you would receive separate agreements and disclosure documents.

Your Representative will help you compare the different cost structure of these programs and various other alternatives before helping you choose the solution that suits your needs.

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### Code of Ethics

Wunderlich has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Wunderlich's Code of Ethics describes the firm's fiduciary duties and responsibilities to Clients. To supervise compliance with its Code of Ethics, Wunderlich requires that anyone associated with the firm who has access to information regarding client investment recommendations or transactions must provide an initial and annual securities holdings report and quarterly transaction reports to the firm's Chief Compliance Officer. Wunderlich requires

such access persons to also receive approval from the Chief Compliance Officer prior to investing in any IPOs or private placements (limited offerings).

Wunderlich requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Wunderlich's

Code of Ethics also includes the firm's policy prohibiting the use of material non-public information. Any individual who fails to abide by the firm's Code of Ethics may be subject to discipline. Wunderlich will provide a copy of its Code of Ethics to any Client or prospective Client upon request to the Chief Compliance Officer at Wunderlich's principal address.

Nothing in this Brochure or otherwise shall impose upon Wunderlich or any Representative any obligation to purchase or sell, or to recommend for purchase or sale, for any Accounts any security which Wunderlich or any of its principals, officers, affiliates, employees or Representatives purchase or sell for their own accounts or for the accounts of other clients, unless not to engage in such activity would violate Wunderlich's fiduciary duty.

### **Participation or Interest in Client Transactions**

Individuals associated with Wunderlich may buy or sell securities for their personal accounts identical to or different than those recommended to Clients. It is the expressed policy of Wunderlich that no person employed by Wunderlich 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, Wunderlich's employees are permitted to trade for their own accounts side-by-side with the firm's clients in the same securities.

When Representative receives a better price in a security the same day his/her client executes an order in the same security on the same side of the market (buy or sell), the client will receive the better price. A client trade will be aggregated with an employee trade or trade by an affiliated account only if: 1) client trades are treated equally with employee and affiliated account trades; 2) each affiliated and non-affiliated participant in the trade will receive average execution and average commissions; and 3)

securities purchased or sold will be allocated pro rata.

### **Personal Trading**

Wunderlich or any of its licensed professionals may act as an investment adviser for others, may manage assets for others, may own investments in its or their own names, and/or may serve as an officer, consultant, partner or stockholder of one or more investment partnerships or other businesses. All such activity is subject to compliance with Wunderlich's Code of Ethics and other written procedures. In doing so, Wunderlich or such persons may give advice, take actions, and/or refrain from taking actions that differ from advice given, actions taken or actions not taken for any particular client.

Some of the Representatives are licensed to sell insurance products, in some cases through separate insurance businesses. These Representatives may receive commissions, deferred sales charges, on-going servicing fees, and other compensation as a result of a Client's purchase of insurance products. Consequently, these Representatives have a conflict of interest in recommending their Client purchase insurance products. Clients are under no obligation, contractual or otherwise, to purchase any insurance or security product or service from Wunderlich or any Representative.

### **Reviews and Reviewers**

Wunderlich considers account reviews a continuous process, with the frequency and nature of the review dependent on a number of factors and situations, such as: the buying or selling of a security, balancing gains/losses for tax planning, raising or lowering cash based on market conditions, investing new capital contributions, and adjusting overall portfolio composition to maximize returns given current market conditions.

At various times, depending on the nature and reason for the review, Wunderlich may review the suitability of the chosen Sub-adviser, the securities held within the Account and your particular financial resources and time horizon (Suitability Information). Wunderlich employs branch office managers who are responsible for performing reviews quarterly and the number of Accounts assigned to each manager depends upon the size of the branch. In addition, Wunderlich uses an electronic review system that records all daily transactions and searches

for trades that violate any of its procedures. Wunderlich's Compliance Department will periodically review this system and a sampling of the transactions it records to make certain that it continues to alert the managers to possible procedural violations.

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## Reports

You will receive the following reports from the Custodian:

- confirmation of each securities transaction,
- all other documents required by law to be provided to security holders; and
- a quarterly statement reflecting all activity in the Account during the preceding period, including all transactions made on behalf of the Account, all contributions and withdrawals, all fees and expenses, and the value of the Account at the beginning and end of the period.

The Advisory Agreement for some Programs may provide for additional reports. Accounts will receive performance or other reports only as specifically provided in the Advisory Agreement.

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## Other Client Communication

For each Account, Representative will provide individualized investment advice. At least annually, Representative will contact you to determine whether there have been changes in the Suitability Information, including whether you wish to impose new investment restrictions or modify existing restrictions. Representative and Wunderlich will make themselves reasonably available for consultation.

You will retain, with respect to all securities and funds in the Account, to the same extent as if you held the securities and funds outside of the program, the right to:

- withdraw securities or cash;
- vote securities or delegate the authority to vote securities to another person;
- proceed directly as a security holder against the issuer of any security in the Account and not be obligated to join any person involved in the Program or any other client, as a condition precedent to initiating such proceeding.

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## Client Referrals

If your Representative refers you to another Representative for investment advisory services,

both the Representatives will share in the Wrap Fees paid by the Account, in such proportions as they shall agree.

Wunderlich accepts referrals of prospective clients from third-parties (Solicitors). Assuming the Solicitor has executed a Solicitor's agreement with Wunderlich and abides by all applicable laws and regulations, Wunderlich will share a portion of the fees generated by each referred client with the Solicitor. Each prospective client receives a Solicitor's Disclosure Document and signs a consent form before entering any agreements with Wunderlich

Wunderlich may also receive compensation for referring you to a Third-Party Adviser. The amount of compensation will be determined by the agreement between Wunderlich and the Third-Party Adviser. Wunderlich will act as the Solicitor and deliver to you its Solicitor's Disclosure Document at the time of the referral.

Please note that payment of compensation to Wunderlich and Representative for recommending a Third-Party Adviser creates a conflict of interest. Although the Representatives commit to acting in your best interests, the existence of such compensation could encourage them to make an unnecessary referral or cause them to withhold information about an alternative investment option that doesn't provide equivalent compensation.

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## Other Compensation for Wunderlich

Wunderlich and Representative have a conflict of interest when recommending Wunderlich and First Clearing as introducing and clearing brokers. An increase in the number of Accounts, amount of assets, or number of transactions processed through First Clearing will at certain levels, help Wunderlich meet its minimum monthly clearing fees. This is an economic benefit to Wunderlich, even if no additional commissions are charged. In addition, Wunderlich receives other fees from First Clearing such as rebates on money market or margin account balances, which are based on the number and size of the accounts and balances carried with First Clearing.

Wunderlich will retain the amount of these fees it receives as additional compensation and will not credit or rebate these fees against the Wrap Fees.

In certain cases, clearing brokers, custodians, investment companies, or other firms who participate in the Programs or who hold

Program Accounts (each a “Sponsor”) may agree to invest a portion of the revenues from Program Accounts through allowances to Wunderlich, the Representatives, and other advisers, broker-dealers, or representatives whose Clients participate in the Programs.

Wunderlich may agree to provide the Sponsors with introductions to and information concerning itself or the Representatives, and allow the Sponsors to participate in meetings and workshops. In addition, the Sponsors may agree to provide Wunderlich or the Representatives with organizational consulting, education, training and marketing support.

A Sponsor may pay for annual conferences designed to facilitate and promote the success of the Programs. It may offer portfolio strategists, investment managers, or investment management firms (who may also be sub-advisers for mutual funds recommended by Wunderlich or Representatives) the opportunity to contribute to the costs of Wunderlich’s annual conference and be identified as a sponsor of a portion of the conference. A Sponsor may agree to bear the cost of airfare for certain Representatives to attend the Sponsor’s annual conference or to conduct due diligence visits to the Sponsor’s offices. In addition, a Sponsor may, from time to time, contribute to the costs incurred by the Firm in connection with conferences or other client events conducted by Wunderlich or a Representative.

First Clearing may provide other products and services that help Wunderlich or the Representative manage and administer their Accounts. These products and services may include software and other technology that provide access to Account data (such as trade confirmations and Account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client Accounts); provide research, pricing information and other market data; facilitate payment of Wunderlich’s fees from its Accounts; and assist with back-office support, recordkeeping and Client reporting. These products and services may be used to service all or a substantial number of Wunderlich’s Accounts, including Accounts not maintained with First Clearing.

These payments and other economic benefits represent additional compensation to Wunderlich, over and above the Wrap Fees. Be aware that these various forms of compensation and economic benefits are strong incentives for Wunderlich to recommend (and to continue

recommending) First Clearing over other brokers, investment advisers and custodians. Furthermore, Wunderlich has the same strong incentive to recommend (and to continue recommending) their investment products and services over other products and services which might provide better returns or better prices but which do not provide equivalent compensation or economic benefits to Wunderlich. Wunderlich intends to fulfill its fiduciary duty to act in the best interests of its clients; however, these strong economic incentives could, consciously or unconsciously, influence its decision-making. You should consider the risk from these influences on Wunderlich’s recommendations when deciding to begin or continue a relationship with Wunderlich.

**Other advisers may be able to provide the same or similar services without the presence of these conflicts of interest. Other advisers or custodians may be able to provide the same or similar services for a lower cost or obtain better prices or performance.**

Additionally, Wunderlich depends, in part, on business referred to it by its Representatives. As such, it has a strong financial incentive to maintain or improve its relationships with the Representatives so that they continue to make referrals.

### **Other Compensation for the Brokers**

For its brokerage and related services, First Clearing may charge commissions, markups, markdowns, and other transaction-related charges, and may also charge a fee for its services as Custodian. The amount of such fees and expenses will be charged and collected separately from the Wrap Fee and will be listed in the Account opening documentation.

First Clearing may receive Rule 12b-1 distribution fees, shareholder servicing, or administrative fees with respect to mutual funds or money market funds held in the Account. Cash awaiting investment or reinvestment may be invested in cash management or money market funds at First Clearing (or an affiliate), pursuant to an automatic cash sweep program. Thus, First Clearing has an incentive to purchase mutual funds or money market funds which pay 12b-1 Fees.

First Clearing also receives non-brokerage related fees such as margin interest, IRA fees and money market fund fees, and a money

market administrative fee. It may also receive compensation from funds that it offers for the execution of purchases of Fund shares or the performance of clearance, settlement, custodial or other functions ancillary thereto (including, without limitation, recordkeeping, sub-accounting, shareholder communications, administrative and similar services provided to such funds).

### **Financial Information**

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Wunderlich does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We are not subject to a financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. We have not been the subject of a bankruptcy petition at any time.