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November 4<sup>th</sup>, 2015

(Previously revised August 6<sup>th</sup>, 2015)

This 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 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 August 2014 are summarized below:

### Corporate Structuring

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As part of the capital addition first announced in 2013, and as detailed to clients in a letter dated March 30<sup>th</sup>, 2015, Wunderlich Investment Company completed its integration of the \$40 million investment provided by Altamont Capital Partners. This final integration created a change of control in Wunderlich Securities, Inc. and required the firm to provide disclosure of such this last annual revision of this document which was completed as of the date listed above.

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## Item 4 – Advisory Business

### About Us

We place the Client and the Financial Advisor as partners in the center of every decision we make as a firm. We develop our products, services and technologies to allow our Financial Advisors to provide the highest quality service in the industry to their clients.

Established in 1996, Wunderlich Securities, Inc., (“Wunderlich”) is a full-service brokerage firm based in Memphis, Tennessee. In 2001, Wunderlich expanded its business to include Investment Advisory services. As a dually registered financial services firm, Wunderlich caters to individual and institutional clients with financial advisory, brokerage, equity research and investment banking services. Wunderlich also has several divisions that provide fixed income brokerage services to institutional clients: Wunderlich Fixed-Income Capital Markets, WunTrade and Fundamental Brokers Inter-Dealer.

Wunderlich is owned by Wunderlich Investment Company, Inc. Wunderlich Investment Company is owned by Coil U.S. Holding, Inc. (a member of Coil Investment Group AS, which is primarily owned by Alfred Ydstebo) and Altamont Capital Partners.

#### Company Highlights (as of 6/30/2015)

- 33 offices in 18 states
- \$10 Billion in client assets
- More than 500 financial professionals

### Dual Registration

Wunderlich is registered with the SEC as an investment adviser, and the Firm’s investment adviser representatives (Representatives) are registered under applicable state law to provide investment advisory services on the Firm’s behalf.

Wunderlich is also registered with the SEC and many States as a broker-dealer, and is a member of the Financial Industry Regulatory Authority (FINRA). The Representatives are also registered with FINRA, and where required by applicable State law, as registered representatives of Wunderlich and are

authorized to provide brokerage services on behalf of Wunderlich.

When acting as an investment adviser, Wunderlich is a fiduciary for its Clients. As a fiduciary, the Firm must, among other duties, act in the Clients’ best interests, place the Clients’ interests ahead of its own, and make full and fair disclosure of all material facts, particularly conflicts of interest.

When acting as a broker-dealer, Wunderlich must observe high standards of commercial honor, and just and equitable principles of trade, and must have reasonable grounds for believing its recommendations are suitable for the customers, among other duties. However, our obligation to disclose to brokerage customers information about our business, conflicts of interest, compensation, and other matters is more limited than our corresponding obligations to our advisory Clients.

When a person (which may be an individual or a legal entity) establishes multiple accounts or receives multiple services from us, each account or service will be governed by the laws and regulations applicable to that specific type of account or service, which may differ considerably from account to account, or service to service. Therefore, it is important for Clients and prospective Clients to understand which services Wunderlich provides as an investment adviser and which it provides as a broker-dealer.

### Advisory Services

Wunderlich provides the following advisory services for its clients:

#### Financial Planning

Certain Representatives provide financial planning on behalf of Wunderlich. To receive a plan you must enter into an Advisory Services Agreement which describes the services provided, the terms and conditions of the arrangement and the fees to be charged, all of which will be negotiated on a case-by-case basis.

Representative will typically ask for detailed information about your personal and family situation, financial condition, investment objectives, risk tolerance, time horizon, estate

and retirement plans, trust agreements, wills, investments, and insurance.

Based on this information, Representative will prepare a written financial plan to help you achieve all of your financial goals and objectives. However, when appropriate, Representative may agree to provide specific advice on a more limited topic such as:

- budgeting,
- estate organization,
- income tax and spending analysis,
- cash needs at death,
- income needs of surviving dependents,
- analysis of retirement strategies, or
- analysis of investment alternatives.

You are under no obligation to purchase any products or follow any course of action recommended by Representative. Further, Wunderlich does not provide any legal advice to Clients.

If you choose to purchase securities or insurance products through Wunderlich, Wunderlich and Representative will receive commissions or other compensation as a result of those investments. Because of the additional compensation to be earned, Representative will have an incentive to recommend products and services that he can sell through Wunderlich over comparable products and services available from other firms. Wunderlich encourages our Representatives to put the needs of our advisory clients first. We monitor all products purchased on a daily basis and personally review each Representative's business practices as needed but no less than once a year.

### **Consulting Services**

Certain Representatives provide individual consulting on the behalf of Wunderlich. The terms and conditions of the arrangement and the fees to be charged will be negotiated on a case-by-case basis.

Typically, the consult will involve one or more meetings to discuss specific, limited issues or questions regarding your portfolio or particular investments. Representative will provide the requested advice but will not prepare a written plan and will generally not consider or attempt to provide advice based on all of the factors that would be considered as part of the financial planning process. Representative will generally recommend that Clients who desire more

comprehensive or in-depth advice should pursue financial planning services.

You are not required to execute any transactions recommended by Representative through Wunderlich, and you may execute all given recommendations through any broker-dealer or other financial institution you choose. There is no assurance that another institution will be willing or able to do so.

### **Asset Management**

After considering your objectives and tolerance for risk, your particular financial resources and your time horizon (Suitability Information), Representative will create a customized portfolio recommendation designed to achieve your stated objectives using strategies consistent with your financial circumstances. Representative will consider your specific desires and restrictions when forming your portfolio; consequently, your investment strategy can and often will differ significantly from other Wunderlich clients. Wunderlich will supervise and Representative will manage your advisory assets on a continuous basis. You and Representative will review your objectives and the performance of your account at least annually.

If any material changes occur in your personal or financial situation, investment objectives, tolerance for risk or volatility, liquidity needs, or investment time horizon, then you should contact Representative or Wunderlich right away. Your Representative will evaluate the potential impact such changes may have on your account, and identify other means to achieve your goals.

Your Representative can 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 will only provide continuous and regular supervision of certain assets defined by the Advisory Agreement as “Program Assets.” The securities that qualify as Program Assets vary from one Program to the next so you should consult the Wrap Fee Brochure associated with your account to determine the specific list of possible securities. 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. Wunderlich will only charge a management fee for Program Assets.

### **Programs**

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Wunderlich has multiple asset management programs (Programs) available for your use. Many Programs provide access to professional third party money managers (Sub-advisers) and others allow Representative to guide your investment strategy. Wunderlich sponsors a few of these Programs itself but most are sponsored by a separate broker-dealer/registered investment adviser (all referred to as Custodian). Programs sponsored by Wunderlich currently include the WSI Wrap Plan and the Wunderlich Asset Management Program (WAM).

Once the Representative has helped you determine your portfolio, they will help you select the Program that best suits your investment needs based on the fee structure (wrap vs. non-wrap) and the types of securities available.

To participate in any Program, you will need to establish a separate brokerage account with the appropriate Custodian. You will also enter an Advisory Agreement with Wunderlich which describes the investment advisory services to be provided, the terms and conditions of our advisory relationship, and the fees Wunderlich will charge. Your specific fee arrangement and payment terms are negotiable and will be explained to you before you sign the Advisory Agreement. You might also be required to sign an agreement with any Sub-adviser(s) chosen.

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 nor Representative shall have any further obligation under the Advisory Agreement to act or to provide advice with respect to the Account or those assets.

In addition to your Advisory Agreement you will receive detailed information regarding each Program you choose in a separate program description (Wrap Fee Brochure). These Brochures discuss the terms and conditions unique to each Program and identify the program participants. Please review any Wrap Fee Brochure and this Brochure carefully before deciding to invest. Additional copies of any disclosure document may also be obtained by contacting your Representative or Wunderlich at the address shown on this Brochure.

### **Wrap Fee Programs**

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Generally, in a wrap fee arrangement, you pay a combined fee for investment advice, brokerage commissions, clearance, settlement, and custodial services. You may also be charged for expenses or services that are not covered by the wrap fee.

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 determine whether a wrap fee program is suitable, you should evaluate the

Wrap 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 in light of your personal circumstances.

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 that are 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.

### **Assets Under Management**

As of June 30, 2015, Wunderlich has the following amount of assets under management in all advisory Programs:

Discretionary .....	\$594,529,121
Non-Discretionary .....	\$894,582,259
Total .....	\$1,489,111,381

## **Item 5 – Fees & Compensation**

### **Wrap Fee**

Under the wrap fee programs, Wunderlich charges a percentage fee on all Program Assets. The fee covers all expenses for brokerage, clearance, settlement, and custodial services as well as all investment advice. Wunderlich has a maximum allowable wrap fee of 3% per year but some programs have a minimum fee of \$250/year which would exceed 3% of your account value if the balance of your Program Assets ever drops below \$8,350.

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

Your Advisory Agreement will state the specific Wrap Fee applicable to your Account. The fee will be charged 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 Representative.

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

Valuation Date	Total Account Value	1.20% Wrap 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 lower commissions or 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 Wrap 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 Wrap Fee. The actual Wrap Fee and the breakpoints, if any, will be shown in your Advisory Agreement. The breakpoints, if any, for each Program will be based on the aggregate value of all Accounts in the same household.

Please note if a Sub-adviser is engaged, your fees may be higher than the fees you would have paid if it had not been engaged. Sub-advisers may not be willing to negotiate their fees, and Wunderlich is not authorized to negotiate their fees. You should carefully review each Sub-adviser’s Disclosure Document, the chosen Program’s separate Wrap Fee Brochure and the Advisory Agreement before investing.

Generally, each Sub-adviser’s fee will be paid from the Wrap Fee. Wunderlich and/or the Custodian reserve 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 Custodian may either engage the Sub-adviser without increasing the Wrap Fee or decline to engage the Sub-adviser.

The Wrap Fee does 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, Custodian 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 Custodian may be underwriters); costs to third parties for transactions not executed through Custodian;

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 Wrap Fee.

In addition to the Wrap Fee, 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 Wrap Fee.

### **Advisory Services Fee**

Each Representative establishes the fee schedule for the Advisory Services he or she provides. You and Representative will negotiate the fee schedule before entering into a planning or consulting arrangement. Fees for Advisory Services may be charged on an hourly basis, and the standard Wunderlich rate is \$200.00/hour. Fees may also be negotiated as a fixed one time amount. Ongoing consultation fees may be calculated as a percentage of assets and collected quarterly. Fee discounts are allowable and will vary depending upon 1) the particular Representative who provides the services; 2) the complexity of your situation and the services to be provided; 3) prior or anticipated relationships; and 4) the possibility for additional business, as determined by Representative within their discretion. All Advisory Services Agreements must be approved by Wunderlich.

Financial Planning arrangements terminate upon completion of the services described in the Advisory Agreement. You may terminate the

Agreement at any time, and will receive a prorated refund of the Fee based on the proportion of the total services that Representative has performed through the date Wunderlich receives written notice of such termination. Consultation services end when Wunderlich receives written notice of your desire to terminate the arrangement.

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### **Compensation**

Wunderlich will receive some or all of the Wrap Fee and/or the Advisory Services Fee. It will share this compensation with Representative according to the Wunderlich separate agreement with Representative. It is possible that the amount of compensation received, directly or indirectly, by Wunderlich or Representative as a result of recommending a wrap fee program may be more than the amount of compensation Wunderlich or Representative would receive if they recommended another investment program.

Unless specifically excluded by the terms of the Program Agreement, account balances in the Money Market Funds are included as part of the value of the Account. Consequently, any asset-based fees owed under the Advisory Agreement will be based, in part, on the balances in these investments. In addition, Custodian may serve as adviser, sub-adviser, 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 Custodian, 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.

The Wunderlich 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.

Wunderlich and Custodian are permitted to route client orders for over-the-counter and listed equity securities to selected market

makers or centers for execution. Both may receive compensation in the form of a per-share cash payment for directing order flow to these market makers or centers.

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### **General Fee Practices**

Transactions that have not settled 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 Wrap 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. If you terminate your Account prior to the end of any quarter, you will receive a prorated refund, if any, of advisory fees paid in advance.

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 Wrap 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 Wrap Fees will be refunded, as provided in the Advisory Agreement.

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

### **Conflicts of Interest**

It is possible that the compensation received, directly or indirectly, by Wunderlich or the Representative for recommending a wrap fee program may be more than the compensation Wunderlich or Representative would receive if they recommended another program.

Consequently, Wunderlich and Representative would have a financial incentive to recommend a wrap program over other programs or services that might meet your needs at a lower cost (such as, mutual funds, ETFs, or fee-plus-commission arrangements).

Please note that the amounts charged to your Account for services, fees, expenses, or costs that 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.

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.

## **Item 6 – Performance Based Fees and Side by Side Management**

Wunderlich does not charge or accept performance-based fees. Consequently; it does not have a conflict of interest with Side by Side Management, which involves favoring those accounts with performance-based fees over those without such fees. Wunderlich cannot increase its compensation by generating higher returns in certain accounts. We, therefore, do not have an incentive to manage certain accounts differently than others on this basis.

## **Item 7 – Types of Clients**

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

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

### **Methods of Analysis**

Representative may utilize or rely on financial newspapers and magazines, corporate rating services such as Morningstar, annual reports, prospectuses and press releases, research reports and analysis of performance provided by First Clearing, Wunderlich, or other third parties, and publicly available research and reports.

### **Investment Strategies**

As a firm, Wunderlich does not establish and follow any particular investment strategy. Each

Representative may determine the strategies and products to be used to achieve the objectives of the Account. Subject to the Advisory Agreement, including the Investment Policy Statement, or as otherwise provided in this Brochure or in any disclosure document, the chosen strategies may include, among others, long-term purchases, short-term purchases, day-trading (securities bought and sold within 30 days), short sales, margin transactions, or option transactions or strategies. Each Representative may choose to use any one or more of these or other strategies.

If a Sub-adviser or other investment manager is engaged to provide services under a Program,

the Sub-adviser or investment manager will determine the strategies and investments to be used with respect to any Account it manages.

### **Risk of Loss**

***You should understand that past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable.*** Investing in securities (i.e. stocks, mutual funds, bonds, etc.)

involves risk of loss. Furthermore, depending on the different types of investments, there may be varying degrees of risk. You should be prepared to bear investment loss including the loss of your original principal.

Because of the inherent risk of loss associated with investing, Wunderlich is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

## **Item 9 – Disciplinary 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 CEO, Gary Wunderlich, and Wunderlich 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 October 26, 2015, Wunderlich consented to a censure and fine of \$50,000 by FINRA. Without admitting or denying the findings, the firm consented to the sanctions and to

the entry of findings that it failed to establish, maintain and enforce an adequate supervisory system and written procedures regarding the preparation and dissemination of consolidated reports. Findings stated that although the firm's written supervisory procedures expressly permitted the preparation and dissemination of consolidated reports, they did not adequately address how the firm would supervise the use of nor how to ensure the accuracy of valuation information provided by the Registered Representative or mandate the inclusion of specific disclosures regarding the source and accuracy of such valuation information. Findings further stated the firm failed to ensure supervisory review of reports were performed and documented by the applicable supervisor and readily available for review by the firm or regulatory authorities. The findings also stated the firm failed to establish, maintain and enforce an adequate supervisory system and written procedures for the supervision and sale of nontraditional exchange-traded funds (ETFs). Although the firm permitted its Representatives to recommend the ETFs, the firm's WSPs did not adequately address the particular characteristics and risks associated with them. In addition, the firm did not utilize an effective system or report to enable its supervisors to identify instances where a customer might be holding an ETF position for an extended period of time. The firm also failed to provide formal training to its Representatives and supervisors regarding the unique characteristics and risks of such ETFs.

- 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.

## Item 10 – Other Financial Industry Activities and Affiliations

### Other Activities

Wunderlich Securities, Inc. is a broker-dealer as well as a Registered Investment Adviser. Its

principal executive officers and most of its Representatives are registered as both Registered Representatives and Investment Adviser 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 have no obligation to accept such services.

Wunderlich 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 have no obligation to accept 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 for the time and attention of the Wunderlich 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 adviser 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 the Wrap Fee Programs discussed in this brochure, 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 the Wunderlich broker-dealer transactions and provides discounted rates as well as other benefits based on the volume of trading Wunderlich directs through the First Clearing 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 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 also sponsors its own wrap fee programs - the Wunderlich Securities Inc. Wrap Fee Program (WSI) and Wunderlich Asset Management (WAM). Under both programs, Wunderlich provides ongoing supervision of assets and the Representatives provide continuous and ongoing investment management. Representatives may, upon authorization by you, exercise full investment discretion and choose the investments in WAM or can delegate that authority and responsibility to a third-party money manager (Sub-adviser) in WSI.

WSI often engages Wunderlich Capital Management (WCM) to manage clients’ portfolio assets. WCM is an SEC registered investment adviser owned and operated by Phillip Wunderlich – brother to Wunderlich

CEO, Gary Wunderlich. The Wunderlich parent company, Wunderlich Investment Company, Inc. (WIC), also owns a 20% interest in WCM. Phillip is registered individually as an investment adviser representative with Wunderlich and WCM. The close family relationship could produce a conflict of interest in the operation of both businesses of which we are addressing by making full disclosure in this brochure. The WCM performance results are not reviewed by Wunderlich or any other third-party.

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 the Wunderlich 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 the Wunderlich 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 as appropriate.

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

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

### **Code of Ethics**

Wunderlich has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. The Wunderlich 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 each associated person must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

The Wunderlich 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 the Wunderlich 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 the fiduciary duty or Wunderlich.

### **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 Representative shall prefer their own interest to that of their advisory client(s) or make personal investment decisions based on the investment decisions of clients. Subject to the Code of Ethics, Wunderlich employees are permitted to trade for their own accounts side-by-side with the firm's clients in the same securities. When trading side-by-side with firm clients, the Representative is required to always place client orders first.

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**

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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 the Wunderlich Code of Ethics and other written procedures. In doing so, Wunderlich or such persons may give advice, take actions, or refrain from taking actions

differing 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.

## **Item 12 – Brokerage Practices**

### **Recommendation of Brokers**

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As discussed in Item 10 above, Wunderlich will serve as introducing broker, and, depending on the advisory program chosen, First Clearing or Fidelity will serve as the clearing broker. Wunderlich and any other broker-dealers utilized in connection with a Program are referred to individually as a "Broker" and collectively as the "Brokers."

When recommending a Broker (including itself and its clearing firm), Wunderlich may consider the full range and quality of the Broker's services, including, among other things: the quality of execution and related services, commissions and transaction costs, financial responsibility, experience, professionalism, responsiveness, the value of research it provides and any other factors it believes are important to the Broker's ability to provide execution services consistent with fiduciary duties and the best interests of its clients.

Wunderlich does not participate in soft dollar arrangements with any of the Brokers. All services are paid for according to the separate agreement between Wunderlich and the individual Broker. Furthermore, Wunderlich does not receive client referrals from any of the Brokers. Our choice of Broker has been and will continue to be based on the value and quality of the services provided.

Wunderlich, as a broker-dealer and not as a registered investment adviser, does participate in soft dollar arrangements with certain customers; however, Wunderlich does not receive any soft dollar benefits from such customers. Wunderlich does provide soft dollar benefits, including eligible research and brokerage services, as a broker-dealer to certain customers of the firm. Such soft dollar arrangements are transacted pursuant to a written soft dollar agreement and in compliance with the Section 28(e) of the Securities and Exchange Act of 1934, as amended.

### **Directed Brokerage**

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In the Advisory Agreement, you will agree to direct all purchases, sales, exchanges, redemptions, or other transactions for the Account through the named Broker. Please be advised the Wunderlich requirement to place all transactions through a selected Broker is a material conflict of interest. Wunderlich has a fiduciary responsibility to provide best execution for your transactions and would not use the named Brokers if they could not provide high quality execution services. This does not necessarily mean that you will receive the lowest cost or the best price on any given transaction.

Wunderlich considered the full range and quality of services available from the Brokers when choosing them to clear its trades and not



just the price. Consequently, you may be able to obtain lower costs and better security pricing from a different broker-dealer and should carefully consider the value of Broker's execution services before entering an advisory agreement with Wunderlich. Furthermore, the total cost of the chosen Program may exceed the combined amounts you would pay for separate advisory, brokerage and custodial services, especially if you used lower cost broker-dealers (i.e. a discount broker).

By signing the Advisory Agreement and choosing to participate in any of the offered Programs, you permit Wunderlich and any chosen Sub-adviser to direct all transactions through the named Broker(s). Please note the following:

- neither Wunderlich nor any Sub-adviser has negotiated, will negotiate, nor will be responsible for negotiating commission rates, ticket charges, or other expenses charged by the Brokers, whether through volume discounts or otherwise, or for identifying other brokers who may provide better execution or impose lower costs, whether on a trade-by-trade basis or otherwise;
- total transaction costs may exceed the amount you would pay if you were free to choose another broker-dealer, and Wunderlich will continue to direct transactions to the Brokers because it has determined in good faith that such amounts are reasonable in relation to the value of the brokerage, research and other services provided by the Brokers
- trades for the Account may not participate in block trades (in which orders for several accounts are aggregated for purposes of execution) with accounts, if any, which have not directed brokerage (free accounts); and
- under certain market conditions, trades for the Account may be delayed until after execution of trades for free accounts, if any.

As a result you may not necessarily obtain commission rates or execution as favorable as might be obtained if Wunderlich or a Sub-adviser were able to place transactions with other broker-dealers. Furthermore, if Wunderlich or a Sub-adviser has any free accounts, the prices the Account receives for its trades and the costs of execution will likely be less favorable than the free accounts receive. This will likely cause a disparity between the amounts of commissions paid, the prices received, or the net performance of your Account

when compared to free accounts with similar objectives.

Wunderlich considers itself to be a "full service" broker-dealer and investment adviser, and believes that its charges are reasonable in view of the full range of services it provides. Anyone considering a brokerage or advisory Account with Wunderlich should not expect the lowest Wrap Fees, commissions or other expenses, nor should they expect the best prices or performance - lower costs for comparable services or better performance are likely available through other broker-dealers or investment advisers.

Similarly, we believe a person seeking an adviser providing a minimal level of advice and service should consider the benefits of using another adviser offering different services for a lower fee. Except in very limited circumstances (generally for personal friends and family of employees and Representatives), Wunderlich does not offer Programs at a price point comparable with discount firms.

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### **Client Directed Brokerage**

Wunderlich will only place trades with the Brokers named in this Brochure. Other firms may place your transactions at any broker-dealer you name, but Wunderlich will not.

When an advisory firm permits you to direct brokerage transactions to a particular broker, it may not have the authority to negotiate commissions, ticket charges, or other expenses among various brokers on a trade-by-trade basis or to obtain volume discounts from your named broker. Also, you will not participate in block trades, and the advisory firm may delay the execution of your trades until after trades in Accounts that do not direct brokerage. When markets are volatile or when buying or selling an illiquid or thinly traded security, a delay in execution may result in less favorable prices.

Consequently, by directing brokerage you could incur higher transaction costs or greater spreads, or receive less favorable net prices than might otherwise have been the case. A disparity could arise in the commissions paid, the prices received, or the net performance of Accounts in the same Program and with similar objectives, but which did or did not direct brokerage.

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### **Duty to the Client**

Wunderlich will monitor the Account and the quality of the execution and other services provided by the Brokers to evaluate the quality and costs of the services provided by the Brokers. Unless Wunderlich and the Brokers agree to alter their clearing arrangement prior to the specified time, Wunderlich will continue the Accounts' participation in the Programs through the Brokers, under the fee structure as then provided under your Advisory Agreement.

### **Valuation**

Except as otherwise provided in an Advisory Agreement, the "value" of an Account (and any asset of the Account) in any of the Programs will be the sum of the long and short market values of all cash and securities (including without limitation stocks, bonds, mutual funds, money market funds, and ETFs), and the credit balances and cash balances in any Depository Product or similar bank demand deposit account. Margin debit balances do not reduce the value of the Account. In determining values, Wunderlich will use the prices as of the close of trading on the trade date nearest to the date such valuation is being calculated, as reported by the chosen Custodian through the electronic information system provided to Wunderlich.

If values are not available from the Custodian 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 the following, among other information, in determining the fair value:

- the bid prices of the last recorded transaction for listed securities, options and over-the-counter NASDAQ securities;
- the mutual fund's most recently reported net asset value, as computed by the fund.

We will utilize information provided by services believed to be reliable. If any 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.

### **Trade Errors**

On infrequent occasions, an error may be made in an Account. For example, a security may be erroneously purchased instead of sold. If Wunderlich was responsible for the error, it will restore or return the Account to the position it would have been in had the trading error not occurred. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, or reimbursing the Account.

### **Margin**

If you choose to use margin, you should be aware that the margin debit balance will not reduce the market value of the Account's assets, and will therefore increase the Wrap Fee. The increased Wrap Fee may provide an incentive for Wunderlich and Representative to recommend portfolio strategies or Third-Party Advisers who use margin strategies.

The use of margin is not suitable for all investors, since it increases leverage in the account and therefore its risk. Please see the Margin Disclosure Statement and the Account Terms and Conditions for more details on the risks of margin use.

## **Item 13 – Review of Accounts**

### **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: whether the Account is managed on a discretionary basis, 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 Program in which the Account participates, 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 certain of its procedures. The Wunderlich Compliance Department will periodically review this system and a sampling of the transactions it records to make certain it continues to alert the managers to possible procedural violations.

### **Reports**

All Clients (other than financial planning Clients) 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.

### **Other Client Communication**

For each Account, Representative will provide individualized investment advice. Your Representative, chosen Sub-adviser, or other investment manager will manage the Account on the basis of your Suitability Information. 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.

### **Financial Planning Clients**

The Accounts of Clients receiving financial planning services will be reviewed, if at all, as provided in the Advisory Agreement. The review will be conducted by Representative, unless otherwise stated in the Advisory Agreement. Financial planning Clients will receive only the reports described in their Advisory Agreement.

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

### **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.

### **Other Compensation for Wunderlich**

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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, 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 the Wunderlich 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.

The Brokers may provide other products and services that help Wunderlich or the Representative manage and administer their Accounts, but which may or may not benefit Accounts held with other custodians. 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 the Wunderlich 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 the Wunderlich Accounts, including Accounts not maintained with the particular Broker.

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 the Wunderlich 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.

The other Brokers will charge and collect their own separate transaction-related brokerage and custody fees. Such expenses will be detailed in the brokerage account agreement you sign with each Broker. These fees and expenses are completely separate from the Wunderlich advisory fee which is detailed in the Select Program Agreement you sign with Wunderlich.

The Brokers 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 at a Broker may be invested in cash management or money market funds at the Broker or another Custodian (or an affiliate), pursuant to an automatic cash sweep program. The adviser to these funds may be an affiliate of the Broker or other Custodian (or its affiliate). Thus, the Brokers have an incentive to purchase mutual funds or money market funds which pay 12b-1 Fees.

The Brokers also receive non-brokerage related fees such as margin interest, IRA fees and money market fund fees, and a money market administrative fee. The Brokers may also receive compensation from funds available through the Brokers 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).

## **Item 15: – Custody**

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds or securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Wunderlich is deemed to have custody of client funds and securities because you give it the authority to have fees deducted directly from your Account. This is the only form of custody Wunderlich maintains. Authorization to trade in client accounts (discretion) is not deemed custody.

The Wunderlich established procedures require all client funds and securities must be held at a qualified custodian in a separate account for each client under that client's name. You or your representative will execute an agreement that establishes each account, therefore, you will know the qualified custodian's name and address as well as the manner in which your funds or securities are maintained. Finally, the qualified custodian will deliver your account statements directly to you or your representative at least quarterly. You should carefully review those statements and compare them to any communication you receive from Wunderlich. If you ever have questions about your statements, please feel free to contact Wunderlich, your Representative or the qualified custodian.

## **Item 16: – Investment Discretion**

In certain Programs you will grant Wunderlich and Representative full discretion to select the securities, to designate the strategies, and to buy, sell, or otherwise effect securities transactions for the Account without your prior notice or consent. Wunderlich will not manage

your Account on a day-to-day basis, and will not affect transactions for the Account, except as Wunderlich deems necessary in the exercise of its supervisory responsibilities with respect to any Representative and its fiduciary duties.

Prior to signing the application for any such program, you will work with Representative to identify the financial situation, investment objectives, tolerance for risk, and investment time horizon for the Account (Suitability Information). You will also specify any reasonable restrictions you wish to impose on investments for the Account.

Any limitations on this discretionary authority and any reasonable restrictions you wish to place on the Account must be included in the Advisory Agreement or on a separate Investment Policy Statement. You may change or amend Account limitations or restrictions at any time by submitting a signed writing indicating your desired changes.

All of the Programs sponsored by Wunderlich may be discretionary. Wunderlich Asset Management accounts can be established either with or without discretion as acknowledged by the client per the advisory agreement. If you choose to engage a Sub-adviser, neither Wunderlich nor Representative will have

discretionary authority over your assets; however, the Sub-adviser will have full discretion to select the investments and effect all transactions for your account. Sub-advisers do not customize their investment strategies to meet your specific objectives. Instead, each one identifies its own particular strategy and you choose which Programs to participate in.

Wunderlich will monitor Sub-adviser's activity to ensure that it adheres to its stated investment objective and inform you of any decision to terminate the Sub-adviser's engagement. Sub-adviser may terminate its services at any time, in the discretion of the Sub-adviser's discretion.

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

Neither Wunderlich nor any Representative will vote or accept authority to vote proxies on your behalf. You bear full responsibility to vote or direct the voting of all proxies by or with respect to issuers of securities held in the Account. All such material should be delivered directly to you by the transfer agent. If Wunderlich or its Representatives receive any materials or other information regarding a proxy solicitation from the issuer or a third party, they will be solely responsible for forwarding those materials to you or the person you designate within a reasonable period of time.

If you represent an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, ("ERISA") as amended or Section 4975 of the Internal Revenue Code ("ERISA Client"), please note that Wunderlich is expressly precluded from taking any action or rendering any advice with respect to the voting

of proxies solicited by or with respect to issuers of securities held in an ERISA Plan's Account.

Also, neither Wunderlich nor Representative will advise or act on your behalf in legal proceedings involving companies whose securities are held or previously were held in your Account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, you may direct Wunderlich to transmit copies of class action notices to you or a third party. Upon such direction, Wunderlich will make commercially reasonable efforts to forward such notices in a timely manner.

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

This item is not applicable to Wunderlich. 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.